

ASSESSING THE CONCEPT OF RENT OF SURPLUS THEORY

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ABSTRACT

Adam Smith considered rent a surplus which arises because some produce sells for a price in excess of the cost of production. Thus rent is price-determined rather than price determining. Thomas Malthus contributed the beginnings of the differential theory of rent, endeavoring to show that rent will not arise until land of inferior quality is taken under cultivation. David Ricardo fully developed the theory of rent which is named Ricardian: rent is a surplus in the form of a differential. Henry George brought the classical position to its logical conclusion: rent is an unearned increment.

INTRODUCTION

Theories of rent are wide-ranging. However, whether neoclassical, Marxist, or Proudhon's, they tend to neglect evolutionary institutionalist theorising. Increasingly dominated by the income approach, rent theories need to be expanded, partly to correct existing work, partly to break persistent intellectual monopoly and oligopoly, and particularly to develop institutional theories of rent. In this paper, I attempt to do so by presenting and evaluating the surplus approach to rent, particularly R.T. Ely's, highlighting its power and potential and stressing its critiques and contradictions. Drawing, among others, on the original writings of Ely, it is argued that, while the emphasis on property rights, land as a 'bundle of sticks', and rent as surplus rather than income help to advance heterodox approaches to rent, the surplus approach is severely limited in its analysis of inequalities and how they can be addressed, especially in extractivist and rentier societies. To unravel long-term inequalities that characterise rent and rentier economies, it is crucial for surplus theorists to engage stratification economics which, in turn, can drive the surplus approach to rent.

Rent and surplus

David Ricardo, a classical economist developed a theory in 1817 to explain the origin and nature of economic rent. Rent is the payment made to landlord for the use of land. Ricardo was of the view that rent is paid for the fertility of land. Ricardo stated "Rent is the portion of the produce of the earth which is paid to landlord for the use of the original and indestructible powers of the soil. Rent features prominently in Ely's political economy. While many political economists equate rent and surplus, Ely considered *some*, but not all, rent to be surplus. In his article, "land income" (Ely, 1928), he clarified how his three-part contribution relates to neoclassical economics, classical economics, and institutional economics. For both neoclassical and classical economics, he offered critiques, paving the way for his attempt to make a positive contribution to institutional economics. Neoclassical economics regards rent as a payment for the use of land, itself a gift of nature whose value is determined through the interaction of supply and demand. According to Ely, none of these is accurate (Ely, 1928, p. 409). Ely (1917, p. 20, p. 28; 1928) considered rent to be payment for more than land *use*. Rent reflects privilege for the use of a multiplicity of property rights in land, which is itself made up of several rights together, not a unity. Ely was one of the early exponents of the notion that property is a 'bundle of rights' (see, for example, Ely, 1940, p. 76, p. 80-81), not the singular view of property so commonly held in neoclassical economics. This emphasis on rights and economics also made Ely a pioneer of the economics approach to law or the law approach to economics, the combination of which is much bigger than the total of the various parts. For instance, the 'bundle of rights' metaphor for Ely also signified an evolutionary approach to social inclusion, not simply a meme of laws and rights (Rocca, 2020, p. 7). In Ely's political economy of rent, therefore, the courts are clearly central in settling questions of rent and social

injustice. In neoclassical economics, too, property rights need to be guaranteed by the courts of law, but in the case of Ely, "they are not absolute rights of an abstract or isolated individual but social arrangements to be justified because they serve definite social-economic ends" (Cohen, 1917, p. 388). The courts in Ely's surplus approach do not simply favour the landlord, but they consider the social good of private property.

Ely's approach differs from other surplus approaches, at least in three respects. Firstly, land is not a free resource of nature. Secondly, not all rent is surplus. Thirdly, although contingent rather than categorical, Ely's proposed solution to the surplus problem is to be found in the courts. Explaining these three differences is crucial for appreciating the essence of Ely's surplus approach. Starting with whether land is free for Ely is fundamental. Unlike in the classical economics tradition of surplus value which considers that land is a gift, neither land nor land-use is free in Ely's surplus approach to rent. There are waiting and ripening costs to be borne by the user of land. For these reasons, land income, Ely's preferred expression for land rent, is not simply the product of supply and demand. He recognises location advantages, the role of public investments, luck, and uncertainty in determining rent, but how they influence rent is shaped by both land-use type, land-use form, and the change between land uses, ranging from mineral land, agricultural land, urban land, and forest land, to many other types of land (Ely, 1922, p. 39-42; 1928).

The second difference between Ely's approach and other surplus approaches relates to whether all rent is 'surplus' (Ely, 1914, p. 400-411). In many of the surplus approaches, rent is an extra payment received over and above what non-privileged people receive; or rent is the extra payment received over subsistence levels. Alternatively, rent could be seen as anything that is owed to labour after it has been paid an exploitation wage. There is also rent as "economic surplus", which Ely considers the most similar to his approach. According to him, this rent or economic surplus is the "excess over and above what is required to secure the application of the requisites of production" (Ely, 1914, p. 401). What sets Ely apart is that his reading of 'surplus' was unlike most classicals who contended that any payment that exceeds what is socially necessary for the factor of production to be used is to be considered as rent or surplus. Karl Marx used 'surplus value' to denote anything in excess of what is paid to labour. Henry George, on the other hand, generally considered all land income to be unearned increment and, hence, postulated that the annualised rental value of land should be taxed away, while removing taxes on labour and capital.

Ely's proposed solution to rent-based problems also set his approach apart from other surplus frameworks. Ely recognised that privilege and interests, even insider group-trading and information can pave the way for extraordinary advantages to accrue to individual landlords. That is, that society creates the conditions for rent. He called this influence of group characteristics a "*group relationship*" theory of land income" (Ely, 1928, p. 421, italics added). However, he maintained that the broad-based surplus approach is problematic. It is not the privileges *per se* that generate the increases in value, but the public facilities. However, even these so-called 'unearned' incomes are earned because individual landlords incur costs. Ely points to waiting costs and ripening costs as examples (Ely, 1928, p. 409-414). Accordingly, he contended that landlords must be compensated for the cost of waiting and of deferring the use of land to a future date.

To the charge that speculative investments should be discouraged, Ely argued that such speculation is justified because often land investors need to acquire adjoining parcels of land, if they consider that other uses to which such lots could be used would hamper the realisation of the full potential of the land. So, speculation is socially necessary (Ely, 1928, p. 414-416). Ely also argued that land can suffer decrements. If rents can increase, they can also fall. In Ely's expression, there are both "unearned increments and likewise unearned decrements" (Ely, 1928, p. 426). For all these risks, landlords should not be assumed to always benefit from "unearned income". "It is suggestive of serious mistakes", wrote Ely, "that the consideration of land rent and land income has not been closely connected with the consideration of costs. [...] The classical view of the rent of land is that it is income without cost" (Ely, 1922, p. 33).

Still, Ely's approach to rent is based on the surplus approach in a narrower sense. In *Outlines of Land Economics*, under "Definition of surplus used in this work", Ely wrote, "The economic surplus

is that which is paid over and above such a return to those who are engaged in production as will induce them to do their part fully and efficiently in the work of production" (Ely, 1922, p. 23). Of the five forms of surplus, Ely names "rent of land" as the first, the rest being interest, personal surplus, monopoly gains, and gains of conjecture (Ely, 1922, p. 26). Contrary to the classicals, Ely makes a distinction between surplus and socially useful surplus. The latter is surplus which, when taken back from rent via tax (for example), the land investors will be so demoralised that they give less than optimal contribution to land investment (Ely, 1922, p. 26-27).

Finally, Ely's preference is to use the courts to address problems of surplus and rent. However, unlike others who were more categorical about such claims, Ely insisted that his position of rent was not cast in stone. Rent was one of the fields of research he set out in his course about, and vision of, land economics (Ely, 1917, p. 28-29). There were three aspects in these endeavours: Description, Definition, and Determination of the claims about rent. In terms of description, he argued that the field of land economics should focus on evolutionary changes in the use of the terms, to analyse the significance in the use of the term and to evaluate how rent is used both in science and in the market. In terms of Definition, he insisted on rent as power or privileged position. Both of these percolate his third charge: to offer empirical assessments of rental theories continuously (including the effects of custom and competition on rent). Reflecting the influence of the German Historical School on Ely (Rocca, 2020, p. 2), his surplus approach is historically specific, against determinism, and absolutism. These features also Ely's approach to extractivism and distribution.

The Theory of Rent

The distribution of surplus value as profit, so far as it remains an internal affair of industrial capital, is completely settled in the theory of profit. Although industrial capital differentiates itself into industries and firms specialized in the production of a particular use-value with alternative techniques, the formation of a general rate of profit and market production-prices enables a capitalist-rational division of surplus value as profit, without impairing the validity of the law of value. If technical progress alters the method of production of use-values over time, the falling rate of profit preserves the integrity of the capitalist market, although the latter in the meantime undergoes business cycles fraught with periodic industrial crises. In agriculture, however, industrial capital is exposed to the outside intervention of landed property, to the extent that the production of agricultural use-values must involve land, or natural means of production, which is privately owned and monopolized. Since, in agriculture, land cannot be replaced by value-objects readily available in the market, capital must cede part of its surplus value to landed property as the rental price of land. The distribution principle of capital is consequently in need of significant extensions which constitute the subject matter of the theory of rent. The operation of industrial capital presupposes the conversion of labour power into a commodity, which in turn presupposes the separation of the direct producers from land, their natural means of production. The private ownership of land empty of the direct producers is therefore a sine qua non of the capitalist mode of production. But the economic functions of landed property in capitalist society cannot be made apparent until the precise nature of its relationship to the activity of industrial capital is revealed. Though irrelevant to the formation of value, land is an indispensable element of the production of use-values in agriculture. In this chapter, 'agriculture', in contrast to 'manufacture', shall embrace all industries in which the direct application of natural forces to the production of use-values is of paramount importance. Because of the direct intervention of natural forces, it is in general difficult to operate agriculture in a purely capitalistic manner. Yet the relation between capital and landed property will remain obscure unless a purely capitalist agriculture is presupposed. This latter differs from purely capitalist manufacture only in that capital rents land by contract for a specified period of time.

Since nature is never uniform, lands of different fertilities must be employed in the production of even a single agricultural use-value. The same advance of capital, therefore, produces different amounts of output depending on whether the land on which capital operates is more or less fertile. The differences give rise to surplus profits, which are permanent rather

than transitory, that is to say, which capitalist competition cannot eliminate in time. This means that the distribution principle of capital would be undermined if capital did not divest itself of these surplus profits. Capital, therefore, voluntarily surrenders these surplus profits to landed property, which receives them as differential rent of form i. This form of differential rent simply reflects differences in the natural fertility of lands since the advance of capital per given surface area of land is assumed fixed. Landed property as it represents the differential fertility of lands is a strictly passive recipient of rent and least restricts the activity of capital. Moreover, differential rent does not arise on the least fertile land because landed property is always supposed to provide additional land for cultivation whenever it is needed. However, it is not necessary that the cultivation of land should follow the so-called 'descending order'; that is to say, it is not necessary that the most fertile land should first be exhaustively cultivated before the next fertile land is called into cultivation. Thus, when the demand for the agricultural commodity varies, its marginal supply response can occur on land of any fertility, thereby exposing capital to unpredictable contingencies. Whereas differential rent of form i arbitrarily fixes the advance of capital per acre of any land, differential rent of form ii presupposes an optimal advance of capital per acre of land of given fertility. Since the marginal productivity of capital per given surface area of land is bound to fall eventually, the advance of capital that yields a maximum surplus profit can be defined as 'optimal'; and, in general, the optimal advance of capital differs on lands of different fertilities. As rental contracts are periodically renewed, landed property tends to convert the maximum surplus profit on any land into differential rent of form ii, thereby dictating, in effect, the intensity with which land can be cultivated by capital. For capital that earns less than the maximum surplus profit would fail to realize an average profit after the payment of the contractual rent. Landed property, therefore, imposes subtle restrictions on the accumulation of capital in agriculture. For example, capital can no longer be advanced in such a way as to equalize the average productivity of capital on all types of land, even if that were desired

SOCIAL ISSUES

According to Ricardo rent arises for two main reasons:

- (1) Scarcity of land as a factor and
- (2) Differences in the fertility of the soil.

Scarcity Rent:

Ricardo assumed that land had only one use to grow corn. This meant that its supply was fixed. Hence the price of land was totally determined by the demand for land. In other words, all the price of a factor of production in perfectly inelastic supply is economic rent it has no transfer earnings. Thus, it was the high price of corn which caused an increase in the demand for land and a rise in its price, rather than the price of land pushing up the price of corn. However, this analysis depends on the assumption that land has only one use. In the real world a particular piece of land can be put to many different uses. This means its supply for any one use is elastic, so that it has transfer earnings.

Differential Rent

According to Ricardo, rent of land arises because the different plots of land have different degree of productive power; some lands are more fertile than others. So there are different grades of land. The difference between the produce of the superior lands and that of the inferior lands is rent—what is called differential rent. Let us illustrate the Ricardian concept of differential rent.

Differential Rent on account of differences in the fertility of soil:

Ricardo assumes that the different grades of lands are cultivated gradually in descending order—the first grade land being cultivated at first, then the second grade, after that the third grade and so on. With the increase in population and with the consequent increase in the demand for agricultural produce, inferior grades of lands are cultivated, creating a surplus or rent for the superior grades.

Rent and Price:

From the Ricardian theory we can show the relation between rent (of land) and price (of wheat). Since the market price of wheat is determined by costs of the marginal producer and since, for this marginal producer, rents are zero, Ricardo concluded that economic rent is not a determinant of market price. Rather, price of wheat is determined solely by the market demand for wheat and the availability of fertile land.

Deductions from the Theory:

If rent depends on price and on the superiority of rent-producing land over marginal land, we can deduce the following:

1. Improved methods of farming:

Improved methods of cultivation may lead to a fall in rent (demand remaining unchanged). It is because increased output on the superior grades of land will make the cultivation of inferior grades of land unnecessary.

2. Population growth:

Population growth is likely to lead to a rise in rent, since the increased demand for land will bring poor quality land into cultivation, thus lowering the output of marginal land. Thus, if the price of food increases, the rent of existing land will increase.

3. Improved transport facilities:

Improved transport facilities are likely to lead to a fall in rent. It is because the output of less fertile land of foreign countries may be able to compete more closely with the home produce. So there will be no need to cultivate inferior home areas. As a result the output of the marginal land rises and rent falls.

Thus, it is difficult to say whether or not rent increases with economic progress. However, rent is likely to fall with economic progress if population growth is unable to fully neutralise the effects of technological progress and improvement in transport facilities.

CRITICISMS OF THE THEORY

Ricardian theory has been criticized on the following grounds:

1. Ricardo considers land as fixed in supply. Of course, land is fixed in an absolute sense. But land has alternative uses. So the supply of land to a particular use is not fixed (inelastic). For example, the supply of wheat land is not absolutely fixed at any given time.
2. Ricardo's order of cultivation of lands is also not realistic. If the price of wheat falls the marginal land need not necessarily go out of cultivation first. Superior grades of land might cease to be cultivated if a fall in the price of its output causes such land being demanded for other purposes (e.g., for constructing houses).
3. The productivity of land does not depend entirely on fertility. It also depends on such factors as position, investment and effective use of capital.
4. Critics have pointed out that land does not possess any original and indestructible powers, as the fertility of land gradually diminishes, unless fertilizers are applied regularly.
5. Ricardo's assumption of no-rent land is unrealistic as, in reality; every plot of land earns some rent, although the amount may be small.
6. Ricardo restricted rent to land only, but modern economists have shown that rent arises in return to any factor of production, the supply of which is inelastic.
7. According to Ricardo, rent does not enter into price (cost) but from the point of view of an individual farm rent forms a part of cost and price.

CRITICISMS OF RENT THEORY BY CONTEMPORARY WRITERS

RICHARD JONES

Ricardo erected his theory on the basis of certain important assumptions. First, he assumed perfect competition; secondly, that men acted in accordance with economic motives; lastly, that men knew their own interests and had the mobility to act accordingly. Although Ricardo's theory of rent was widely accepted, there were a number of dissenters. Among these was Richard Jones. In his book,

Peasant Rents, Jones asserts that Ricardo's theory might be correct, granting the assumptions that he made. However, in a list of rents existing in practice, Jones points out the irrelevance of the Ricardian assumptions to the conditions he is describing. Jones' book deals with rents under the feudal system; metayer rents in antiquity and in modern Italy and France; ryot rents in India; cottier rents and finally contract or farmers' rents such as Ricardo talked about, "And this class (however, interesting to us Englishmen) has already been stated not to extend itself over one-hundredth part of the cultivated surface of the earth" Of course, Jones had in mind what we would today call institutional factors governing rent

J. E. T. ROGERS

J. E. Thorold Rogers, in the fifth of eight volumes of his series, *A History of Agriculture and Prices in England 1866-1902*, questions the applicability of Ricardo's assumptions to 19th century England. He observed that before one wrote about something one should make an attempt to ascertain the facts because purely deductive reasoning could lead one far astray. He stated that *Principles of Political Economy and Taxation* "seemed to denote that artificial rents, induced by fraud and force, were the outcome of a wise Providence, in which the gains of the accidental few were divine dispensation, and the miseries of the oppressed many should be a solemn caution to nations not to approach too near the margin of unproductive cultivation".

H. C. CAREY

At about this time in America, H. C. Carey published *The Past, the Present and the Future*. Carey was the leader of the so-called Optimist School of Economists. Living in a new country, with immense areas of unsettled, unexplored land and with virtually untapped resources, such things as over-population and diminishing returns were inconceivable to men such as Carey. As a result he made an especially vigorous attack on the Ricardian theory of rent (38). Ricardo's theory of rent is based on the assumption that the first lands taken under cultivation are those that yield the largest return. If this proposition is incorrect, then the whole Ricardian theory of rent falls to the ground. And, says Carey, in truth, the assumption is unwarranted. In a new country, man cultivates the poorest lands first. Because the high thin lands require little clearing, and no drainage, the new settler cultivates such lands first, although they yield a small return. As population and wealth (mainly in the form of agricultural tools) increase, man moves down the hills clearing and draining the richer lands. Carey finds America to be a perfect example. He also cites examples from European and Asiatic history in support of his theory. Obviously, if man begins with the poorest soils, moving on to progressively better situations, the Ricardian theory of rent arising on land as progressively worse land is cultivated cannot be said to be true. Further, Carey states, because of increasing returns due to advances in technology, landlords will receive decreasing amounts of the total product and labor will receive increasing amounts. Because of these increasing returns, Carey asserts that wealth increases more rapidly than population and food increases in a like manner. Therefore, he asks, how can population be said to tend to outstrip subsistence? Combining this with the proposition that the poorest lands are cultivated first, Carey felt he had successfully exposed both the intensive and extensive margins of cultivation of Ricardo. (And also the dire prophecies of Malthus.) All of this leads Carey to the conclusion that every improvement in agricultural methods must lead to an increase of rent, in an absolute sense. Improvements in agriculture result from increased wealth, which in turn is the result of advancing technology. Besides increasing rent, the return to labor is increase

FREDERIC BASTIAT

A Frenchman, Frederic Bastiat, in *Harmonies of Political Economy*, maintained essentially the same position as Carey. In practice, said Bastiat, in a newer country, the idea that the productive powers of the land have independent value is an illusion. Such value is of human creation. No rent will be paid for the "original and indestructible powers of the soil" because they cost the owner nothing. The price of produce raised on such land will yield no compensation for these powers. The attacks

on the Ricardian theory of rent by writers of the time were mainly attacks on the assumptions basic to the theory. This would seem to be confirmation of the fact that, granting the assumptions, Ricardo's theory logically follows.

HENRY GEORGE

In 1879—two generations after the appearance of Ricardo's masterwork—Henry George published his *Progress and Poverty*. The background on the man and the book can be summed up by quoting the dedication page of *Progress and Poverty*: "To those who, seeing the vice and misery that spring from the unequal distribution of wealth and privilege, feel the possibility of a higher social state and would strive for its attainment". George found the theoretical base for his doctrine in the Ricardian theory of rent. "Rent, in short," said Henry George, "is the share in the wealth produced which the exclusive right to the use of natural capabilities gives to the owner". It is this very capacity to yield rent which lends value to land. "Thus rent or land value does not arise from the productiveness or utility of land. Further, what anyone will pay as rent for a given plot of land depends not upon the capacity of the land in question, but upon its capacities as compared with other land which can be had for nothing. Should this land which can be had for nothing be inferior in

PRONS AND CONS OF RENT SURPLUS THEORY

1. Neoclassical economists define rent as the price paid for the use of land obtained in a competitive market (see, for example, O'Sullivan, 2012, p. 157-161). Therefore, rent is an open-market price paid for the use of land – much like interest is income for the use of capital. In this income approach, rent functions as a driver of growth. Also, rent – like price, more generally – becomes a mechanism for allocating land as a scarce resource.
2. The surplus approach to rent is rather different. Advanced by a wide range of classical and other economists, including the physiocrats, Smithians, Ricardians, Georgists, institutionalists, Marxists and the French Régulationists, rent is not simply the return price for the use of land; it is also surplus (Ely, 1922, 1927; Haila, 1990, 2016; Fine, 2019; Faudot, 2019). Every surplus approach offers a critique of approaches in neoclassical economics and their related policy prescriptions, but the surplus approach also provides a comprehensive and coherent alternative framework to analyse extractivism and other socio-ecological problems (Butler, 2002). In practice, the surplus approach also offers a springboard for developing practical transformative steps and policies to change the world.
3. Beyond these generalities, the surplus approach has many nuances. Various theorists have debated what land rent is, and what it is not. Many analysts focus on regimes of growth, particularly the French régulationnistes (See, for example, Faudot, 2019, the work of Robert Boyer, and its extensive discussion, including Vercueil, 2016; Harada & Uemura, 2019). When determining how to address inequality, they deal with the question of rent as a surplus, but how to deal with that surplus and whether to emphasise growth or inequalities, land or capital varies widely. Generally, in the surplus approach, a critical question is whether to re-invest the surplus "to expand and transform the existing economic system", whether the surplus should be 'wasted in luxury consumption, leading to economic decline' (Martins, 2018, p. 41), or whether to redistribute the surplus for inclusive economic development. What proportion of land rent should be returned to the landowner? Should a landowner whose labouring activities help to improve land rent be compensated or should all land rent be given back to society?
4. Richard T. Ely, a pioneering institutional economist, sought to provide new answers to these questions. He did so by emphasising land, especially redefining land, reintegrating economics and law through land, and bringing in the courts as arbiter to the land rent question. Accordingly, Ely's focus was not so much on growth, but rather on how land rent

is an instrument for creating and maintaining systemic inequality and in what ways inclusive prosperity or wellbeing might be nurtured in an ecologically sound society.

5. Rent features prominently in Ely's political economy. While many political economists equate rent and surplus, Ely considered some, but not all, rent to be surplus. In his article, "land income" (Ely, 1928), he clarified how his three-part contribution relates to neoclassical economics, classical economics, and institutional economics. For both neoclassical and classical economics, he offered critiques, paving the way for his attempt to make a positive contribution to institutional economics.
6. Neoclassical economics regards rent as a payment for the use of land, itself a gift of nature whose value is determined through the interaction of supply and demand. According to Ely, none of these is accurate (Ely, 1928, p. 409). Ely (1917, p. 20, p. 28; 1928) considered rent to be payment for more than land use. Rent reflects privilege for the use of a multiplicity of property rights in land, which is itself made up of several rights together, not a unity. Ely was one of the early exponents of the notion that property is a 'bundle of rights' (see, for example, Ely, 1940, p. 76, p. 80-81), not the singular view of property so commonly held in neoclassical economics. This emphasis on rights and economics also made Ely a pioneer of the economics approach to law or the law approach to economics, the combination of which is much bigger than the total of the various parts. For instance, the 'bundle of rights' metaphor for Ely also signified an evolutionary approach to social inclusion, not simply a meme of laws and rights (Rocca, 2020, p. 7). In Ely's political economy of rent, therefore, the courts are clearly central in settling questions of rent and social injustice. In neoclassical economics, too, property rights need to be guaranteed by the courts of law, but in the case of Ely, "they are not absolute rights of an abstract or isolated individual but social arrangements to be justified because they serve definite social-economic ends" (Cohen, 1917, p. 388). The courts in Ely's surplus approach do not simply favour the landlord, but they consider the social good of private property.
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- all land income to be unearned increment and, hence, postulated that the annualised rental value of land should be taxed away, while removing taxes on labour and capital.
9. Ely's proposed solution to rent-based problems also set his approach apart from other surplus frameworks. Ely recognised that privilege and interests, even insider group-trading and information can pave the way for extraordinary advantages to accrue to individual landlords. That is, that society creates the conditions for rent. He called this influence of group characteristics a "group relationship' theory of land income" (Ely, 1928, p. 421, italics added). However, he maintained that the broad-based surplus approach is problematic. It is not the privileges per se that generate the increases in value, but the public facilities. However, even these so-called 'unearned' incomes are earned because individual landlords incur costs. Ely points to waiting costs and ripening costs as examples (Ely, 1928, p. 409-414). Accordingly, he contended that landlords must be compensated for the cost of waiting and of deferring the use of land to a future date.
 10. To the charge that speculative investments should be discouraged, Ely argued that such speculation is justified because often land investors need to acquire adjoining parcels of land, if they consider that other uses to which such lots could be used would hamper the realisation of the full potential of the land. So, speculation is socially necessary (Ely, 1928, p. 414-416). Ely also argued that land can suffer decrements. If rents can increase, they can also fall. In Ely's expression, there are both "unearned increments and likewise unearned decrements" (Ely, 1928, p. 426). For all these risks, landlords should not be assumed to always benefit from "unearned income". "It is suggestive of serious mistakes", wrote Ely, "that the consideration of land rent and land income has not been closely connected with the consideration of costs. [...] The classical view of the rent of land is that it is income without cost" (Ely, 1922, p. 33).
 11. Still, Ely's approach to rent is based on the surplus approach in a narrower sense. In *Outlines of Land Economics*, under "Definition of surplus used in this work", Ely wrote, "The economic surplus is that which is paid over and above such a return to those who are engaged in production as will induce them to do their part fully and efficiently in the work of production" (Ely, 1922, p. 23). Of the five forms of surplus, Ely names "rent of land" as the first, the rest being interest, personal surplus, monopoly gains, and gains of conjecture (Ely, 1922, p. 26). Contrary to the classicals, Ely makes a distinction between surplus and socially useful surplus. The latter is surplus which, when taken back from rent via tax (for example), the land investors will be so demoralised that they give less than optimal contribution to land investment (Ely, 1922, p. 26-27).
 12. Finally, Ely's preference is to use the courts to address problems of surplus and rent. However, unlike others who were more categorical about such claims, Ely insisted that his position of rent was not cast in stone. Rent was one of the fields of research he set out in his course about, and vision of, land economics (Ely, 1917, p. 28-29). There were three aspects in these endeavours: Description, Definition, and Determination of the claims about rent. In terms of description, he argued that the field of land economics should focus on evolutionary changes in the use of the terms, to analyse the significance in the use of the term and to evaluate how rent is used both in science and in the market. In terms of Definition, he insisted on rent as power or privileged position. Both of these percolate his third charge: to offer empirical assessments of rental theories continuously (including the effects of custom and competition on rent). Reflecting the influence of the German Historical School on Ely (Rocca, 2020, p. 2), his surplus approach is historically specific, against determinism, and absolutism. These features also Ely's approach to extractivism and distribution.

SUMMARY

Rent is central to political-economic discussion of long-term inequality and social stratification. However, rent is largely neglected in neoclassical-economic analysis of inequality. The surplus

approach to rent tries to rectify this problem. The social theory of property, advanced by Ely, offers a distinctive contribution to the surplus approach to rent. Not only does it differ from other surplus approaches in terms of its analysis of how rents arise, Ely's surplus approach is also distinctive in emphasising land as a 'bundle of rights' and reform, not via the socialisation of rent for wider social policy or for workers' liberation, but through revisiting and revamping the courts (see, for example, Ely, 1940, p. 76, 80-81). Yet, as the evidence in this paper has shown, the social trust bestowed on private property owners has long been broken and the police power offered as a check on the excesses of private property ownership is way too limited to serve as an effective constraint on the propertied class.

CONCLUSION

The concentration of land-wealth has dramatically normalised, and pre-transformation property relations have been moulded in diverse, different and differentiated ways across scales and over time, particularly in the extractivist forms of accumulation. Not all these are surprising. Ely's surplus approach is more strongly focused on national, not multi-scalar global inequalities and global social stratification. Inherent in the social theory of property rights is structural bias against racial and other minorities. As discussed in this paper, the surplus approach also places too much categorical weight on the police power which, in practice, is clearly contingent. Marxian revolutionary alternatives are similarly uncertain. Other evolutionary surplus approach alternatives – including Georgist political economy – are a bit more certain. Drawing on multi-level state power, community, and global institutions, a Georgist alternative can more reliably socialise rent as surplus. The trouble with all the surplus approaches is that they are either race blind or racist. At the same time, it could be analytically useful to bring Ely 'back in' to the debate about the social theory of property and distribution of wealth in extractivist and rentier societies, and link inequalities to institutions, notably the courts. In this way, Ely is one antidote to Buchanan in the sense that he sees institutions as one set of ways to transform society in an evolutionary inclusive way. But, like Buchanan, Ely's theorising also explicitly sought to subjugate minorities, especially black people.

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