

CLASS, RENT AND THE STATE:

UNEVEN DEVELOPMENT IN WESTERN BOOMTOWNS

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## I. Introduction

This paper attempts to decipher the uneven development process that currently characterizes Western U. S. boomtown growth associated with energy. It hypothesizes that two features of this process produce a class configuration that is ambivalent about development: rent that accrues to the production process from various sources, and sectoral disruption that destroys an older economic base. In general, the rural working class will support energy development, while segments of the petty bourgeoisie will oppose it. Gains for the local working class will be short run and may coincide with losses for the U. S. working class as a whole. Much of the struggle over energy development takes place in the state sector, where a populist coalition of organized labor, Western agricultural interests and environmentalists oppose multinational corporations. The future of boomtowns depends on the outcome of this struggle, as well as on local stakes in development in particular cases.

## II. The Law of Uneven Development

The cleavage between Marxist analysis of advanced industrial economies and Third World experience under capitalist domination has revived Marx's Law of Uneven Development. The Marxist model begins with the premise that surplus value is extracted from labor by capital in a system of production of commodities for exchange where capital controls production in order to accumulate capital through profit. Of the Third World experience, however, more needs to be said. Theories of imperialism, in addition to identifying the sources of capitalist world-wide expansion, address the effect of that penetration with models of dependency that encompass more than the introduction of wage labor. Capitalism's deformation of Third World societies includes forced cultural degradation, manipulation of reproduction, physical exhaustion of resources and environmental plunder. Comparison of this experience with that of the U. S. is referred to as evidence of the operation of "the Law." (Examples are Hymer and Resnick, 1970; Hymer, 1973; Gough, 1975 and Best, 1960). Increasingly, events in our own backyards resemble Third World uneven development. Boomtowns are a lurid example.

The beauty of the Law is that it evokes powerfully the paradox of destruction accompanying capitalism's drive for efficiency. Its descriptive contribution is thus considerable. However, as a law it remains an assertion: capitalist development must produce such unevenness. It has not been derived formally from the basic propositions of Marxist theory. Instead, it describes particular (and varying) contradictions which are then analyzed with the Marxist method in a given historical context.

Uneven development connotes multiple situations. It can describe different growth rates across sectors or space (industries, regions, national economies, occupations, ethnic groups, households) and it can describe a disruptive experience for any one of these over time. Thus it has at least three important dimensions: sectoral, temporal and spatial. An adequate theory of uneven development would have to address all of the links between capitalist production dynamics and its manifestations in diverse places and times. Development is the growing domination of the

capitalist mode of production. Unevenness is its character, mediated by the state, by culture, by history, by ideology, by differentials in nature, all arenas for class conflict. A rigorous formal theory of uneven development is impossible, because unevenness is the paradox of weaknesses in the capitalist dynamic preventing its drive toward total domination and impossible levels of accumulation. An analysis of uneven development addresses the moments of contradiction in the capitalist dynamic and must include the historically specific features of the people, place and era involved.

This paper attempts to develop more rigorously two roots of uneven development, common to Western boomtowns but perhaps generalizable: spatial unevenness that is tied to differences in rural land and resources, and temporal unevenness that accompanies the incursion of capitalist extractive activities. It argues that land in peripheral parts of the capitalist economy is a prominent feature of the particular form of capitalist incursion and that, because rent view for a large share of surplus value, a very different sort of class conflict occurs than in urban industrial centers. Furthermore, it argues that the supplanting of traditional sectors by energy production further complicates class conflict by fragmenting class unity across sectors.

### III. Surplus Value in Land-Based Activities

Extraction of surplus value from workers is the driving force of capitalist production. Production will not be undertaken in any sector if the money capital advanced for wages and constant capital will not command a return, squeezed from labor by paying wages (the value of labor power) less than the value of commodities produced. In land-based activities, particularly the capital intensive extraction and processing in the American west, the role of surplus value extraction is obscured by the appearance that it is land itself - its minerals, water, fossil fuels and soil - that produces value. Differing qualities of land do allow greater productivity of labor in one location than another. But land itself is inert and can only be worked by living labor to produce material existence for society. The illusion that land produces value arises from the existence of private property and land ownership,

which allows surplus value from production per se and from differential productivities to be captured by land owners.

The value of a commodity in the Marxist model is determined by the embodied labor time in the average production location. The mix of commodities produced in any era is the result of socially evolved standards of living and needs embedded in the mode of production. The dynamic of corporate and state manipulation of subsistence needs (autos, etc.) under advanced capitalism has influenced which particular sectors consume land in production. Without dependence on auto transportation, significantly less oil would be needed, and so on. Channeling social needs toward dependence on gas, coal, oil and other minerals, corporate and state planning led to the massive intrusion of capital intensive techniques for extraction, processing and energy production that currently characterizes land-based activities in the West. While working people could rely on quite different forms of production for shelter and mobility needs in the future, currently the social structure holds us hostage to such land-based activities.

Given this prevailing level of social needs, individual capitalist units put into motion production if profit is forthcoming. In all sectors of capitalist production, money capital is advanced for constant capital and wages in anticipation of a return greater than these costs. Surplus value is the excess value produced by workers in that sector over their real wages. Over the entire system of production, the rate of return on capital advanced must be equal, otherwise capital will be channeled to those sectors where profit rates are higher. Thus the values of commodities are transformed into prices by accounting for the average rate of profit; surplus value is redistributed through this mechanism. Highly capital intensive activities can therefore command prices for output that exceed value.

Surplus value is also extracted by land owners in the form of rent. Such rent is, like profit, purely a return to ownership, backed by the power of the state, in this case of a necessary production input. Land itself is not a commodity, since it is not produced. Therefore, in absence of class society, it is free to people, with a positive use value but

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no exchange value. However, since ownership of land endows the possessor with the power to withhold land from production, land can command a price on the market and has<sup>a</sup> potential exchange value that arises from successful conflict with labor and non-land capital over surplus value. In this sense, it is a form of capital, since money capital can be converted into land in expectation of a return equal to or greater than its conversion into constant capital or wages advanced in production. The return to land ownership we call rent.

Therefore, the struggle over the division of surplus encompasses three main classes: landowners, capitalists and workers. Even in the absence of an identifiable landowning class, separate from the capitalist class, the existence of rent enables certain class members and institutions to act as landowners under certain conditions. Rent cannot exist in capitalist production unless one of three special circumstances characterize the land-using process\*\* If the price that commodities bring includes only enough to cover the costs of production and an average rate of profit, nothing will be left to the landowner; an attempt to impose a rent on a particular location will result in the curtailment of production in that spot. City abandonment and marginal land prices in remote rural places exemplify this case.

Marx identified the three types of rent that accompany rent-generating circumstances under capitalism: differential, monopoly and absolute rent. Differential rent can accrue to land because of differences in quality enhancing labor productivity. Monopoly rent can be captured by owners of land because commodities produced with that land as an input are monopolized and their market price is thus higher than cost of production plus average rate of profit. Absolute rent can be extracted by land owners if land is monopolized by a class separate from the capitalist class as a whole and is withheld from production unless it receives a rent which drives the price of the product above the cost plus average profit level. Each of these cases, with Western energy applications, are modelled below.

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\*\* The following discussion draws extensively on the Marxist theory of rent as developed and extended by Marx, Mandel, Harvey and Edel.

## A. A General Model of Capitalist Production with Land

## Production Function.

$$Q = f(v, c)$$

Amount of commodity Q, produced with a particular combination of inputs of variable capital, v, and constant capital, c, i.e. workers and machines, depends on productivity of labor and the level of inputs.

## Variable Capital.

$$v = L(w)$$

The amount of labor power, in dollar terms, in a particular production process is the quantity of labor time (L) times the exchange value of labor power, the wage (w), which is determined by class struggle over subsistence.

## Constant Capital.

$$c = K(P_k)$$

The amount of constant capital, in dollar terms, in a particular production process is the number of machines used (K) times the exchange value of that commodity ( $P_k$ ).\*

## Exchange Value.

$$C = c + v + s$$

The exchange value of the commodities produced in this process is composed of the costs associated with constant capital and variable capital inputs and of surplus value, s, the difference between the exchange value of labor power and the value of what it produces.

## Surplus Value.

$$s = f(v)$$

Surplus value is a function of the quantity and value of labor power, thus the outcome of class struggle over the wage rate. The more labor used and the lower the wage rate, the greater the surplus value extracted.

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\*  $P_k$  is determined exactly the same way that  $P_q$  is in this model. I abstract from the inclusion of profit here for the sake of simplicity.

## Commodity Unit Value.

$$V_q = C/Q$$

Per unit, the exchange value of commodity  $q$  is total exchange value divided by the amount of output.

## Average Rate of Profit.

$$r = \frac{\sum_i s_i}{\sum_i (c_i + v_i)}$$

Over all sectors,  $i$ , the average rate of profit is equal to the sum of all surplus value extracted divided by the sum of all constant and variable capital advanced.

## Total Profit.

$$\pi = r(c + v)$$

The amount of profit,  $\pi$ , required in any sector equals the profit rate times the capital advanced.

## Commodity Unit Price.

$$P_q = (c + v)(1 + r)/Q_{\min}$$

Price of the commodity,  $q$ , is determined by the costs of production and average rate of return in the least productive plant ( $Q_{\min}$ ).\*

## Total Revenue.

$$T = P_q(Q)$$

Total revenue,  $T$ , in the sector equals the commodity price times the quantity of commodity  $q$  produced.

## Rent.

$$R = T - (c + v)(1 + r)$$

Rent is the excess of revenue over costs and average rate of profit, distinguished from profit only if a separate class or group extracts it.

Given the knowledge of the character of production functions, the identification of the marginally productive plant, the exchange value of labor power and constant capital, this model can be used to examine the origins and distribution of rent.

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\* This formulation of price determination holds only in the absence of monopoly power by the industry or landlords as a class. When monopoly exists, prices can be driven above this level.

An example will illustrate the model. Suppose that there are two sectors (Marx's departments), which we might conceptualize as fuel and autos. In the absence of the three special conditions of differential rent and monopoly, the determination of profit and prices under capitalist production, given hypothetical parameters, might be as follows:

	K	Pk	L	w	Q	Vq	C	s	r	$\bar{\pi}$	Pq	T	R
Fuel	200	\$1	50	\$1	300	\$1	\$300	\$50	.25	\$62.50	\$1.04	\$312.50	0
Autos	100	\$1	50	\$1	200	\$1	\$200	\$50	.25	\$37.50	\$.94	\$187.50	0

The example shows the transformation of value into prices, with the result that the price of fuel, produced under conditions of a high organic composition of capital (c/v) requires a higher price than value while autos command a price slightly below value.

#### B. The Case of Differential Rent

Suppose that two coal strip mines have dramatically different quantities of overburden that must be removed, so that a given input of labor and machinery on one plot can produce significantly more coal than on the other. In our example, we will represent this as 400 units of Q as opposed to 300 units. The outcome will be as follows;

	K	Pk	L	w	s	Q	C	Vq	r		Pq	T	R
MineA	200	\$1	50	\$1	\$150	400	\$400	\$1	.25	\$62.50	\$1.04	\$416.64	\$104.16
MineB	200	\$1	50	\$1	\$50	300	\$300	\$1	.25	\$62.50	\$1.04	\$312.50	0

Here, with profit and wage rates (temporarily) determined by capitalist production as a whole, the production process in location A receives a greater return because labor is more productive on that plot and because capital is able to appropriate that return. This produces a rent of 25%

of revenue that is available for distribution among workers ( $w$ ), suppliers ( $P_k$ ), capitalists ( $\pi$ ), consumers (workers as a whole) ( $P_q$ ), and landowners ( $R$ ). The outcome of this conflict depends upon the degree of monopoly of various agents, factor mobility, class militancy, and the backing of the state, and the organic composition of capital.

It is important to emphasize the spatial nature of differential rent. Productivity differences may result from locational features such as transportation accessibility or distance to markets as well as from natural land features. Since the location of production may form the material basis for an entire local economy, the possibility of differential rent accruing to state-supported production may encourage antagonistic classes (especially labor and capital) to cooperate in a lobby for state facilities.

We can speculate that class conflicts will distribute rent within the production sector in the following ways. It is improbable that suppliers will be able to discriminate against the production process receiving differential rent, unless they constitute a monopoly, in which case they will resemble the landowner. It is also unlikely that consumers will capture the rent, unless the state intervenes; the debacle of natural gas pricing suggests that the state is apt to support the industry's hold-up tactics for monopoly prices.

Workers, if they are organized, can potentially capture a substantial portion of the rent premium from differential rent. The higher the organic composition of capital, the more likely it will be that workers can extract a large wage increase from rent, since their ranks are small. The less mobile or available other labor, the more successful they will be also. Workers in Western coal strip operations receive higher wages than their deep mine counterparts, which is also the result of company fears that such workers will unionize. The better organized and more militant workers are, the more likely they are to win part of differential rent. They need not award to those workers who are located in particular operations, but as in the UMW pension fund tax on coal, spread it around to all workers in the sector.

Landowners, if they exist separately from capitalists, have a good chance to extract all of the differential rent. If they have perfect information, and are willing to withdraw land from production if they do not receive the full rent (a land strike), they hold a powerful position in bargaining. In the West, however, the lack of a feudal landowning class and the pervasiveness of state ownership of land renders this outcome less likely.

Capitalists, if they can manipulate labor and if they can fool landowners about the value of output, or buy up land at less than capitalized value, can capture differential rent. The weakness of a Western landowning class shifts the battleground over rent toward the production sphere itself, in the battle by labor for wages and pensions, and even into the state sector, where state sanction of severance taxes and state leasing policy determines, in large part, the distribution of differential rent.

### C. The Case of Monopoly Rent

Monopoly rent exists when land owners extract part of the monopoly profits from the production sector using its land. This can be conceptualized as follows. Suppose in our original example, the auto industry restricts output and charges a monopoly price for its product that exceeds the cost of production plus average rate of profit. Excess profit in this case could be battled for by the producers of coal if they in turn control a factor of production that is essential to auto production. The figures for a monopolistic auto industry might look as follows:

	K	Pk	L	w	Q	Vq	C	s	r	$\bar{\pi}$	Pq	T	R
Autos	80	\$1	40	\$1	160	\$1.00	\$160	\$40	.25	\$30	\$1.15	\$184	\$ 34

The excess profit, or rent, generated can potentially be captured by the landowning sectors.

