Nowhere in this book did the reviewer find any suggestion of a constructive land policy for lessening poverty amid advancing wealth. But all phases of the science which deals with the earth's surface are discussed and amply illustrated. The size of families, immigration, birth and death rates, and other factors of the study of the population statistics are pursued. "Temperature and Sunshine"; "Rainfall and Evaporation"; "Topography"; Agricultural, conservational, arid, forest, urban, recreational lands and water, mineral and power resources—these are only a few of the items that would interest even a Georgeist in this book.

"Land Economics" tells you how it is possible to satisfy men's needs, but never mentions why they are not properly housed, clothed and fed. The noted professors would find the solution in "Progress and Poverty" if they would reexamine this book without any prejudices.

—Louis P. Taylor

NOTES ON DENMARK

"Notes on Denmark—Before and After the German Invasion," American Friends of Danish Freedom and Democracy, 420 Lexington Avenue, New York, N. Y. August, 1940.

The organization known as American Friends of Danish Freedom and Democracy was organized shortly after the German invasion of Denmark. The purpose is to perpetuate the Danish culture and freedom-loving tradition, and to work to the end "that Denmark may continue to live on."

This compilation of "Notes on Denmark" presents a picture of Denmark's contribution to the world. The Folk Schools, the cooperative system and the land and fiscal systems are described. "The Danish people prize independence above everything else," and this is exemplified in their legislation.

One could wish that these notes might direct more attention to the influence of the land value tax on the prosperity and well-being of the nation. However, we do find notes on "Subsistence Homesteads and Resettlement."

"In Denmark," say these notes, "rural resettlement and subsistence homsteads have ended landlordism, sharecropping and tenancy. In 1850 as many as 42% of Danish farmers were tenants. Today only 4% of Danish farmers are tenants; 96% work for themselves. The United States had about the same percentage of tenant-farmers in 1935 as Denmark had 85 years previously.

"Since 1899 an Act of Parliament has placed land at the disposal of Danish farm laborers . . . A total of 17,190 new farms were created under that Act. Under a later Act of 1919 5,000 additional new farms have been established. Their owners pay interest to the government on the value of the land according to periodical reappraisals.

"All these new farms have become available not only through the reclaiming of land but also through a resettlement on land surrendered by large entailed estates. These became free estates by (1), giving up 25-30% of their capital and (2), by surrendering—against compensation—one third of their land. The money obtained, 89 million Kroner ($20,000,000), was placed in a 'Land Fund' the interest from which is used right along for government purchase of land to establish small holdings."

In many other ways, Denmark has enacted progressive legislation. The condition of the Danish people after the invasion is also described in these notes. The contrast leaves one with the fervent hope that the ante bellum status may be speedily restored.

R. C.

CORRESPONDENCE

EDUCATING THE SCHOOLS

Editors Land and Freedom:

I believe that in our efforts to spread the doctrine of Henry George we are now engaged in the work of sweeping back the tides. The huge amounts collected from us in taxes for the educational system are used for the teaching of a meaningless political economy, and the comparatively insignificant outlays we can make are pitted against the false ideas spread by those huge outlays. Before we can begin to instill real political economy we must wipe out the false teaching on which the people have been reared—a colossal undertaking.

If we could introduce into the schools a textbook on political economy in accordance with George's doctrine, there are teachers ready to select it for their classes, and it would soon force out the unscientific and meaningless textbooks which have made economics the "dismal science."

But such a textbook can not be approved for purchase by boards of education nor ordered by teachers until it has been published, and publishers simply will not publish books which teach the public collection of rent. They will not take the risk, because there is no market for them. A writer who should succeed in producing such a textbook, even supposing it to be a perfect text, must either finance its publication, with small chance of sales, or keep the manuscript for handing out to his friends. It is small wonder that the youth of the nation are brought up with ideas of political economy which render the spread of Georgeism very difficult.

The best service which Georgeists could render to the cause would be to call for the submission of textbooks, select the best or have a better one written, and concentrate their funds on its publication; then have it sanctioned by boards of education, and solicit individual teachers to order it for their classes. One textbook taught in the high schools and colleges, *at the expense of boards of education,* would do more to advance the cause than the mountains of Henry George literature which have said what Henry George has already said in better language, and which are read by few except dyed-in-the-wool Georgeists.

Jamaica, N. Y. Henry J. Foley.

REPLY TO MR. HAXO'S "THEORY OF INTEREST"

Editors Land and Freedom:

This letter is for the purpose of taking issue with the theory of interest as expressed in Mr. Gaston Haxo's article in the July-August issue of Land and Freedom, and to present what we believe to be the natural law of economic interest. The fundamental argument on which Mr. Haxo's theory is based is the statement that capital is not a separate factor of production and that interest is therefore not an economic fact but is a social institution that exists only as a result of borrowing, and has no place in distribution.

Mr. Haxo has tried to prove that capital is not a factor of production by contending that it is a factor of labor. Let us look at the argument in favor of this assertion. He states that capital alone produces nothing, and can produce nothing without labor, that labor hardly ever produces anything without capital and that therefore capital is a factor of labor. If this reasoning is sound, can we not use exactly the same process to prove that land is a factor of labor? Land alone cannot become wealth, it is transformed into wealth only by the application of labor, and labor cannot produce wealth without land on which to operate.

Since we cannot prove that capital is a factor of labor without also proving that land is a factor of labor, we had better reconsider land, labor and capital as separate factors of production. The efficiency of production depends on the quality and quantity of the land used, the labor employed and the capital used. When any of these three items is increased in either quality or quantity, more production of wealth results; when any of these items is decreased, less wealth is produced. Since a change in any one of the three affects the output in the same manner as a similar change in any other one, it follows that if any one is a factor of production, then all three must be factors.

Ricardo has given us the law of rent. If we can also discover the law of interest we will have a complete answer to the problem of distribution, since wages must be that which is left after rent and interest are paid. The natural law of economic interest must be that law which requires labor to pay for the advantage which it derives from the capital it employs. It is easy to jump to the conclusion that in the case of manufacturing this advantage is measured by the difference between what can be produced with tools as compared with what can be produced without tools. Let us find out how much the advantage of tools really is.

Suppose that a man is producing wealth with the aid of a tool. Each time the tool wears out, he makes a new one. If it requires T days to make the tool and if the tool wears out in W days then in a cycle of T plus W days the man spends W days in producing wealth and T days in making the tool. The tool is also wealth but this need not confuse us, since it is not of itself useful to the ultimate consumer and has exchange value only because of its usefulness to labor. Now suppose that just as a tool wears out, the man requires a new one from someone else and therefore does not have to stop to make a new one, and suppose also that in the future he is able to spend all his time in producing wealth since he is not obliged to stop to make a tool when one wears out. Therefore the advantage of acquiring the tool is measured by the amount of wealth that could be produced with the tool during the time required to replace the tool—in other words, the advantage represented by possession of the tool.

Most of the difficulty we have had in understanding the law of interest has resulted from the false assumption that interest is payment for the advantage resulting from the *use* of capital. We have shown, however, that in the case of tools, the only advantage to labor is that which results from the *possession* of capital. Since use is predicated on possession, the error is easy to make. However, we all recognize that rent arises from the possession of land regardless of how much wealth is produced from it, and it should not be difficult to apply the same reasoning to interest and capital. Payment for possession of land and capital rather than payment for use is the basis for the natural laws of rent and interest because payment for use implies by definition that the amount paid will be in proportion to what is produced and would therefore be a tax on production, which of course, has no place in distribution.

Let us now determine the law of interest by finding out how much labor must pay for the possession of its capital. It is obvious that no one needs to pay more for any tool which he desires to possess than the exchange value of that tool. He will pay that much in the value of his own labor whether he produces the tool himself or acquires it through exchange. When the tool has worn out, he must again pay that same exchange value if he wishes to continue to possess a tool, and subsequently, each time the tool wears out, he must again pay the exchange value of a tool if he wishes to continue to use it. This routine is nothing more nor less than what we are accustomed to call "amortization." Since economic interest is wealth paid for permission to use capital, in excess of the repayment of the capital, it is now evident that economic interest is zero.

We agree with Mr. Haxo's refutation of George's contention that the forces of nature give an increase to capital which justifies interest. There can be no doubt that the cooperation of nature which gives more produce for the same amount of labor and capital does not increase the return to the producer but does tend to lower the exchange value of his product.

Commercial interest is what the creditor receives in addition to the return of his capital. Without attempting a complete analysis of commercial interest, let us point out that under our present system, the owner of wealth may purchase a monopoly (exchange wealth for the title to land). So long as this opportunity exists, the owner of wealth will not use it as capital unless commercial interest rates are as high as the return he can get from the monopoly. Therefore, the artificially high commercial interest rates in existence today are the result of our land policy. Commercial interest rates are generally thought to contain an insurance factor, but this would tend to disappear in a free economy due to the pressure of loanable funds. Since individuals desiring to preserve wealth for use in old age or for other purposes would have no choice but to loan it for use as capital, and since labor would find it much easier to produce wealth, it might be that those desiring to loan might find it necessary to pay a service charge to the borrower who contracts to preserve the original value of the wealth borrowed.

We agree with Mr. Haxo that the type of loan made by loan shark companies to distressed individuals is a social phenomenon. Wealth loaned for such purposes is not used as capital in production and is outside the field of political economy. Therefore, the rate charged for such loans does not need to agree with the prevailing commercial interest rate. That this business would decrease if the number of distressed individuals were reduced, is another argument for the removal of monopoly privileges and restrictions.

Towaco, N. J.

E. L. Erwin
H. M. Thomson
P. Winsor, Jr.

(The "Theory of Interest" article by Gaston Haxo, appearing in our previous issue, resulted in a not unwelcome avalanche of letters to the editors. The letters were preponderantly in favor of the views expressed by Mr. Haxo, though several took strong exception. The one above has been set up as typical of the "dissents." —Ed.)

THE "ISLAND" CONTROVERSY

Editors Land and Freedom:

Regarding the island illustration, Beckwith is drawing largely on a fertile imagination for his "facts." He calmly assumes that the product of the island is more than Brown and Jones can consume. How does he know that? He did not get it out of the 56-word paragraph I wrote. I was challenged to show "a single instance" where land had a value, and I am entitled to set up any hypotheses I choose, provided the conditions are not impossible. If Beckwith will read the paragraph again he will not find anything to indicate what is the total product of the island. He will, however, find that Jones is using all the land that "is available to him". Ignoring these facts, Beckwith has set up a "straw man" and knocked him down. He is like a chess player who being checkmated, calmly gets out of his difficulties by moving his opponent's pieces! The hypotheses I set up were made very brief for the purpose of forestalling attempts to bring in irrelevant matter, but even so, Beckwith's versatile imagination was not to be denied. Now to elaborate, let us suppose that Jones makes a living worth 1 X, and Brown 10 X. The question is, is the difference of 9 X wages, interest or rent? We may rule out interest as it is merely a subdivision of wages. This leaves only wages or rent. Now it is obvious that Jones will be willing to pay Brown anything up to 9 X—let us say 8 X for