



Joseph S. Thompson's letter (HGN, July) concerning certain aspects of interest and profits, was interesting and cogent. Frankly, however, I prefer to regard interest as the return for the use of capital (as Henry George did), rather than for its *investment*. Like other economic returns, interest evolves naturally, concurrent with the production of wealth, and therefore necessarily derives from the actual use of capital in production. "Investment" (a term that, to the best of my recollection, does not appear in *Progress and Poverty*) connotes the employment of money, which of course is not capital in the economic sense. Further, the profit on an investment may include revenues other than interest. (Depending on the type of investment, "profits" may include rent or wages, or both.)

In *Progress and Poverty* (Book III, Chap. 1), George disposes of profits rather cavalierly, in a few short paragraphs. He makes it clear that it should never serve as a synonym for interest, that the very word "profits" is meaningless in political economy, and that it is a vague "catch-all," lacking that exclusiveness of definition so important in economic terminology. Since there are only three economic channels by which wealth can be distributed, and profit is not one of them,

George's position on the point is logical and inescapable.

Nevertheless, since we all (even Georgists) live in a practical world, and not in an ivory tower, it cannot be denied that the concept of "profit" exists, however loose the term may be. Essentially, a profit is a gain or an earning: an amount received over and above the amount expended. I heartily agree with Mr. Thompson that the hope of a profit is the greatest, if not the sole, incentive to produce wealth. This being so, I am completely in favor of it. I merely suggest that in the area of political economy, it is imperative that we distinguish between "profit" and the true economic avenues of distribution.

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Regarding the "Effects of Minimum Wage Laws" as outlined by Isidore L. Pulver, in the July HGN — exports and imports are correlatives. In the long run they will balance out: when exports decrease, imports will also decrease. No nation or nations will give wealth without receiving wealth in return.

The basic cause of inflation is not the increase of wages but a combination of government fiscal policy and increased returns to privilege, the most important privilege being the private collection of economic rent with resultant land speculation and high cost of land.

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