

## THE QUESTION OF INTEREST

EDITOR LAND AND FREEDOM:

On p. 57 of the April, 1930, LAND AND FREEDOM, is an article by Mr. Yancey Cohen on interest. It develops the views of the late Mr. T. P. Lyon, of Fairhope. The thought seems to be that interest on capital is an unjust exaction. Instead of asking whether the lender is entitled to interest, let us ask whether the borrower has a right to pay interest. For strange as it may seem, the payment of interest is more important to the borrower than to the lender. Suppose the case of Smith who has a lot and four thousand dollars and Jones who has three thousand dollars. Smith wishes to build a seven thousand dollar house. He can do so only in case the state will enforce the mortgage-contract which he gives Jones, whereby Jones can collect from Smith \$150.00 a year, or 5% interest.

For it is evident that Jones will not lend Smith his \$3,000.00 on any other terms. If interest were illegal, Jones had rather leave his money in the bank, even if, under such conditions, he had to pay the bank something for keeping it. For Jones could draw on the bank at any time for any amount, but, after Smith had built his house with the money, Jones could only hope to get back his \$3,000.00 from Smith at stated times in stated amounts. Or Jones might use his \$3,000.00 in amusement, in buying books and pictures, in travel, in automobiles, etc. Or Jones might give the money away to the poor, or to the Church. Or Jones might turn his money into gold and jewels and hide or bury it. It is certain he would not lend it to Smith. He does not even know Smith personally.

There are also municipalities, railways, industrial corporations, etc., who would like to have Jones's \$3,000.00. If interest were not permitted by law, Jones would be still less likely to lend his \$3,000.00 than to lend it to Smith. So, then, if there were no interest, no individual or corporation could ever get any money to use but his own savings. No person who saved money could ever do anything with it but spend it, unless he had a business of his own.

Of course, the government could take away Jones's money and lend it to Smith, theoretically. Practically this would not be easy because, if Jones knew the State would take away his capital, he would not save it. Of course, the government could force Jones to work and pay him lower wages than he now gets. Then the \$3,000.00 savings would have been saved by the government out of Jones's labor. In that case Jones would be a slave to the State. All liberty would have vanished of course, but it is not certain that the State would have got the \$3,000.00. For, now that Jones has become a slave, he would not do any more work than he must do, so that, probably, the \$3,000.00 would never have been produced.

If men are free they must own the rewards of their labor. If freemen save, neither individuals nor corporations can borrow their savings without paying them interest. As individuals and corporations need money in their business, they must be allowed to pay interest in order to get the money. If a free man owns a row boat, the public cannot go rowing unless they pay him fifty cents an hour. If he owns the forty dollars the row boat costs, other people cannot use that money unless they pay him interest. A man will keep his boat in the boat-house until he or his friends want to row. A man will keep his money in hiding, or put it into his own property, or spend it, unless he is paid for the use of it. So if all these people are free, they ought to be allowed to borrow money and to pay interest on contracts enforced by the state. There is certainly no way to get Jones's \$3,000.00 for other people's business needs except by paying Jones interest; unless the State confiscates the money. This can only be done by enslaving Jones. Even then, probably Jones would not produce the \$3,000.00, so that the State would get nothing.

It is not necessary to work out any ethico-economic theory to justify interest. It is simply necessary to admit that Jones owns the \$3,000.00 which he has saved. If that be admitted, then you can never have the money unless the State will enforce your contract to pay interest.

Recognizing that it is continually necessary for individuals and corporations to use capital that they do not possess, it must appear that it is in the interest of the borrowers that the State should enforce contracts and legalize interest. Under modern conditions the abolition of interest necessitates the enslavement of the workers, as in Russia. For that is the only way capital can be accumulated for lending, if there be no interest. Whether the enslavement of the workers succeeds or not economically, time alone will tell.

Those of us who believe in liberty and love liberty will insist that the State continue to legalize interest and to enforce contracts to pay interest.

Auburn, N. Y.

FREDERICK S. ARNOLD.

EDITOR'S NOTE.—Both Mr. Yancey Cohen and the late T. P. Lyon, as well as our friends in Perth, Australia, do not advocate legislation to do away with interest. Their contention is that the taking of economic rent would abolish interest automatically.

It is perhaps aside from the question, but for ourself we do not believe that it is the business of the State to enforce contracts to pay interest. We would, in line with the doctrine of freedom to which our friend appeals, abolish all usury laws, since these laws do not accomplish the results sought for. Under present conditions interest continues to be paid at whatever determines the current returns for loans. If, however, the contentions of our friends (Messrs. Cohen, Lyon, et al) are correct, no legislation is called for, nor do they demand any new laws on the subject.—Editor LAND AND FREEDOM.

## WOULD PRESERVE OUR INDEPENDENCE

EDITOR LAND AND FREEDOM:

It is not difficult to understand your attraction to the Socialism of Norman Thomas. The followers of Henry George, whose progress has been as slow as their aim is utopian, would no doubt like to feel that they were in the current of a popular movement. But would it not be well, before taking the plunge, to make sure that the current will take us to the shore we are bound for?

Our goal, as I understand it, is self-government, individual liberty, equal opportunity; our method the repeal of privileges. We wish to free all persons from arbitrary interference, to take from government its despotic power. In other words, we are radically opposed to Socialists who worship authority, desire an omnipotent State, and would compel the people to submit to the decrees of politicians and experts.

It seems to me, therefore, that it would be suicidal to compromise with Socialism, in spite of the example of liberal editors and writers, of sincere politicians like Norman Thomas and distinguished scholars like John Dewey. If we were to jump down the throats of the Socialist whale we should face the alternative of being disgorged or digested, a distressing prospect in either case. We can rejoice when a Lloyd George, a Snowden or a Norman Thomas arouses public opinion on the land question, but if we are wise, we shall preserve our independence and not forfeit our right to criticize their economic errors.

South West Harbor, Me.

FRANK W. GARRISON.

## A CRUSADE WHICH WILL THRILL THE WORLD

EDITOR LAND AND FREEDOM:

I am trying to make up my mind on this question of ways and means of bringing our reform to the people. We have the greatest problem in history to solve—that's not putting it a bit too strong. Due to several causes, we have been a half-century getting where we are.

I certainly do not wish to be one of Mr. Cohen's "stick-in-the-muds," but when it comes to Mr. Schroeder's proposal of a division into two branches, one to do political work and one for educational activities—I wonder. Are we strong enough to do that? If some dire emergency should bring the land question forcibly to people's