

as a physical concept but as a value concept. Therefore, we cannot regard interest so much as a quantity of goods as an increase in value. As a matter of fact, in the very next paragraph Mr. Kendal admits that the entire product of 40x less "the mortality of the capital" is wages, indicating either that he does not after all consider 30x as interest or that he identifies interest with wages. He is correct in drawing a distinction between quantity or natural interest and the rate of interest, but because he has not proved interest, he is unable to show any direct relation between the two in his next illustration.

He assumes now that both groups of labor use capital so that each man receives 40x, and there being no borrowing demand and no lending supply, the rate of interest is zero. But one man becomes ill and cannot use his tool (capital). The supply of capital exceeding the demand, the rate is still zero. Another man, however, breaks his tool. He can either make a new tool or borrow that belonging to the sick man. Now there is a lender and a borrower, and here Mr. Kendal comes up against an obstacle, for he is unable to determine what the borrower will pay the lender. He will not pay 30x, the excess over what he could obtain if he used no tool, nor in fact any part of it, for he is free to make his own tool and obtain the entire 30x for himself. Realizing, therefore, that he cannot show what the borrower will pay by attributing interest to the productivity of capital, Mr. Kendal shifts his allegiance from the Productivity theory to the Use theory. But here he falls up against another obstacle because he is unable to give any economic reason whatsoever why the borrower will pay interest for the use of the tool. Consequently, he appeals to the moral element—with which economic science is not concerned—with this statement: "... *equity* demands compensation for its use (legally enjoyment in time), plus 'capital write-offs,' viz., mortality items—wear and tear, etc. A free lending would be charity, not equity." Nor does he attempt to justify these moral assertions. On the contrary, it may be asserted with equal assurance that equity demands no such thing, for even though the sick man received no interest on his capital, he would gain by lending. His tool suffers from natural deterioration, and if he did not lend it, he would receive no compensation for this deterioration. Thus, it is to his advantage to lend even though he received no extra payment as interest, for he would be fully compensated by receiving payment for the deterioration plus wear and tear. Can equity demand more than this? Apparently Mr. Kendal assumes that two kinds of uses attach to the loan of capital, but the use of capital is the same thing as its consumption, and the compensation for this use is not interest but either another tool equally as good or a sum equivalent to its replacement value. (See the discussion of the Use theory in my article in the May-June issue.)

If there is such a thing as interest, then when the supply of capital is just sufficient to satisfy the demand, a payment of interest should pass from the borrower to the lender. But in the illustration given here, it is not proved that any such payment is due. Therefore, it is meaningless to say that the supply and demand of capital determines the rate of interest. If there is a shortage of capital—that is, the demand exceeds the supply—the borrower may have to pay a premium in order to obtain capital, but this is not interest. However, the tendency is for the supply of capital to increase in proportion to the demand, and so this premium would be paid only in exceptional cases. Now, the question might be properly asked: Why does one borrow capital? Surely, it is not in order to obtain the power which resides in it to increase one's efficiency, because one is free to accumulate or to produce capital himself. Therefore, one borrows for the sake of convenience, but any payment for this is not interest. The lender, however, requires compensation for the risk involved in the employment of his capital and demands a payment in proportion to the risk. But this is merely an equalization of profits and losses—an element of business cost and not an economic concept—and disappears when production in the aggregate is considered. It may

be called commercial interest but is not economic interest, because the latter is regarded as an addition to the sum total of wealth.

Mr. Kendal's concluding statement is very curious, inasmuch as the latter part of it seems to contradict the first part; and because it suggests a serious lack of harmony between the moral law and economic laws, it leads one to suspect that he has not been discussing interest at all, but something else. I quote; "Under equitable conditions interest is inevitable and while under such conditions equity would demand a rate of interest on borrowings, the supply of capital would be such that, in all probability, the rate would approximate zero."

Although he has claimed that interest is natural and just, in effect he is saying here that under equitable conditions, the capitalist would receive little or no interest for the loan of his capital. This implies then that today the income of the capitalist as such is the product of inequitable conditions, and that loan interest, rather than being in any way connected with quantity interest, is due to an unnatural restriction of the supply of capital—a monopoly payment forced from labor, in other words—and that, therefore, it is both unnatural and unjust—an admission that should gladden the heart of any socialist. But if there is such a thing as interest, and if it is just, then under equitable conditions, the rate should be higher than it is now, for while the supply of capital would be greater, the demand for it would also be greater.

All of this is evidence of the difficulties one gets into when he tries to locate something that does not exist. The very nature of capital precludes the attributing of the phenomenon that is called interest to any absolute cause.

Brooklyn, N. Y.

RAYMOND V. McNALLY.

#### THOMAS N. ASHTON REPLIES TO JOSEPH R. CARROLL

EDITOR LAND AND FREEDOM:

Your correspondent, Joseph R. Carroll, is very generous in his approbation of my humble efforts in attempting to be of service along the pathway of our pilgrimage. His approval is more than my due, and his disapproval is very kindly restrained.

Prior to entering law school I entertained the commonly-held opinion in regard to the supposedly mental-superiority of the law profession. I regarded our judicial branch of government as the one last bulwark against all encroachments upon life, liberty and opportunity. It was my opinion that justice always could be obtained in our courts of law. After employing good, bad and indifferent attorneys I began to wonder what "law" is all about. Fortunately—or unfortunately, as the case may be—while in law school I saw law books, law professors, courts, judges and decisions through the eyes of a civil engineer and student of "Progress and Poverty."

With this background it was impossible for me to accept a multitude of judicial opinions merely because austere, honest judges had handed down the decisions.

Four full years at law school—added to six years of intermittent research into the history and records of law—added to four years as a member of the House under lawyer-leadership in the Massachusetts legislature—has left me with a fairly comprehensive collection of facts concerning the power, the authority and the influence of the law-trained mind over the poverty-stricken masses. In truth, my accumulations of divergent data include enough material for an oversized volume which, if published for and perused by the public, would cause the extinction of the profession of law, and this result would come about without the slightest reference to the mooted and bootied subject of the alleged dishonesty of lawyers. They are as honest as anyone could be under the circumstances. I have been concerned only with the competency, power and authority of the profession.

Our nation is governed by legislative act effected through the executive and judicial branches of government. I have yet to learn of a legislature, national or state, which is not controlled by the legal



faction. Every petition for legislation must submit to the scrutiny of House or Senate attorneys. Chairmanships of legislative committees, in my time, were largely under lawyer-leadership. The Committee on Bills in the Third Reading—where final form, phraseology and principles are set up—likewise was under lawyer-control. The very powerful Committee on Rules was almost entirely composed of law-trained minds. The largest single faction, in either House or Senate, was that of law.

Times without number I have seen the lay-members of the legislature blindly follow the law-trained orators through parliamentary debate, even when a farmer-legislator or a factory-employee legislator had much more horse-sense to expound.

The influence and prestige of the law profession cannot be completely comprehended except by extended research and observation. In fact, this fraternity has been vastly more powerful than that of medicine or any other so-called profession among the ostensibly learned men who profess to guide the Ship of State. This power, added to the authority which legislative control gives to it, renders the lawyer-group the makers or breakers of society.

As between educated and uneducated peoples, the Duke of Argyll succinctly has covered the matters of responsibility for social peace or chaos:

"If the upper classes, with all the advantages of leisure, and of culture, and of learning, have been so unable, as we have seen them to be, to measure the effect of the laws they made, how much more must we expect errors and misconceptions of the most grievous kind to beset the action of those who—through poverty and ignorance and often through much suffering—have been able to do little more than strike blindly against evils whose pressure they feel, but whose root and remedy they could neither see nor understand."

I have yet to read of a profession, or trade, which lauds itself, impersonally, as often, as unblushingly and as naively as does that of law. Its convention speeches and literary efforts present a refreshing brand of conceit.

At their own behest, our lawyers have gone into politics early in practice and have assumed civic leadership, the captaincy of the Ship of State, both local and national. Upon the captain of the ship falls full power and authority for good or evil regardless of this assumed or real worth. Upon him depends the course to be followed.

My numerous years of inquiry, into the subject and field of law, has been without concern for individuals—among whom are many Single Taxers, which fact is proof enough of their sterling worth and unusual abilities for comprehending.

Not long ago the voice of Senator Borah rang out on the night air: "Congress does not know how to solve the economic problems. We are groping in confusion and delving hopelessly in the field of economics and legislation, seeking a way out of this catastrophic ordeal."

Premier David Lloyd George, whilst frantically imploring the engineers safely to push Great Britain through the World War, confessed that his profession (the law) is "The strictest and most jealous trades union in the world."

Congress is composed 60 per cent of lawyers.

Macaulay, Bacon, Kant, St. German, Swift, Quincy, Adams, Jefferson, Carlyle, Myers and Lincoln are but a very few of those who long ago paused to point out the futile activities of our civic leader, the profession of law—the profession which holds in the hollow of its hand the captaincy of the Ship of State and the welfare of humanity.

As pointed out by Mr. Carroll, the masses very likely would strongly oppose economic reforms, because of the fact that a drowning man has no more sense than to fight his rescuer. When, moreover, the law-profession life-saver has made so many futile "rescues" from the economic seas during the past several centuries, it is now not unnatural for the ignorant mob to take the helm under the name of C. I. O.

Education in general—legal education in particular—is being hoisted by its own petard, and society is caught in the maelstrom.

"If the conclusions that we reach runs counter to our prejudices, let us not flinch; if they challenge institutions that have long been deemed wise and natural, let us not turn back."—GEORGE.

THOMAS N. ASHTON.

## THINKS McNALLY INCONCLUSIVE

EDITOR LAND AND FREEDOM:

The article, "What is Interest?" by Raymond V. McNally in your May-June issue is to say the least inconclusive, if not contradictory and altogether unsatisfactory.

I am not impressed with the question, "Is it not significant that while there is a general agreement among economists on the law of rent, there is none on the question of interest?" It seems to me that in the first place, Adam Smith and Henry George alone are worthy to be dignified by the name economists; and second, that the only thing the other so-called professional economists have agreed on is the determination to so befog the science as to try to prevent all people from seeing that they are being robbed of their rent by the landlord.

In the fifth paragraph Mr. McNally says, "During all this time, however, in spite of ecclesiastical denunciation and civil laws, the phenomenon of interest persisted in industrial life, because it was a natural part of the economic organism and could not be abolished by men." Now the scientific definition of the word phenomenon is "a fact of knowledge." Therefore, by Mr. McNally's own statement "Interest" is a fact of knowledge and "a natural part of the economic organism" and beyond the power of man to abolish. To me this is a very strong statement as to interest being a definite and important factor in the natural laws of the natural science of Political Economy and one with which I agree entirely. But in the last sentence of his article Mr. McNally says, "The burden of proving that there is such a thing as interest in the economic sense, therefore, and that it is unjust, rests entirely with the Marxist and other opponents of interest." If language means anything then this last sentence would indicate that Mr. McNally denies "that there is any such thing as interest in the economic sense" and defies Marxists and other opponents to prove that there is and that it is unjust. Now a thing that does not exist can not be unjust nor be anything. Also "a phenomenon that persists because it is a natural part of the economic organism beyond the power of man to abolish" must be a very definite natural economic fact that has been proven to exist already, and it can not be unjust because Nature is supreme and there is no appeal from her so far as man is concerned.

Now whether we know what interest is or not does in no way cast any doubt, in itself, on the fact of its existence. No one knows what either magnetism or electricity is and yet both are phenomena which we make use of very effectively.

To my mind Henry George very clearly and satisfactorily established the laws of rent, wages and interest, defined them as well as land, labor, capital and wealth and demonstrated that Political Economy is a natural science as exact as any. L. D. Beckwith of Stockton, Calif. has very ably supplemented and clarified George's work.

Also capital and its derivative interest are very important factors in political economy. Without capital (labor saving implements, tools and machinery of all kinds) men, women and children would be condemned to hopeless labor and poverty, there could be no time for the arts and sciences, and civilization would be impossible.

I can not see what all the shooting is about as to capital and interest among true Georgeists, anyway.

The socialist type of mind is not worth wasting time over, as it seems incapable of clear thinking.

Chestnut Hill, Mass.

EDMUND J. BURKE.

## RENT IN PRICE

EDITOR LAND AND FREEDOM:

Two apparently inconsistent facts are quite generally accepted as obviously true: First, that all Rent must be included in the determining of cost; second, that no rent (as such) is included in the determining of price.

And there is nothing really paradoxical in accepting the "second"