

BY LEWIS H. BERENS.

In the fall of 1885, or the spring of 1886, three well-known South Australian Land Reformers, William Liston, A. W. Rayment and Ignatius Singer, were gathered together one evening at the house of the first-named at Kapunda, South Australia. Naturally enough the conversation ranged round the different aspects of the great question in which they were all so keenly interested; but it was only late in the evening that it transpired that each of them, independently of each other, had found himself compelled to reject, as fallacious, Henry George's well-known contention, that "Interest springs from the power of increase which the reproductive forces of nature, and the, in effect, analogous capacity for exchange, give to capital. It is not an arbitrary but a natural thing; it is not the result of a particular social organization, but of laws of the universe which underlie society. It is, therefore, just."

On October 5th, 1886, the present writer gave an address before the Adelaide Allgemeine Deutsche Verein on "Capital," Mr. Singer accompanying him to the meeting. After the lecture, as they were walking home together, he asked Mr. Singer, "Well, was the lecture all right?" "Yes," was the reply, "it was all right; there was, in fact, only one thing the matter with it, and that was that you did not deal with the subject of your address." By this time we had reached my house, and I insisted on my friend coming in; and after we were comfortably seated in our chairs he asked me what I really meant and included under that mysterious and ambiguous abstract term, Capital. I gave him, I think, the definitions and explanations I had gathered from our great Master's immortal and classical work, "Progress and Poverty." He listened quietly until I had finished, and then said, "Yes, I have read all that; but if Capital, the third factor in production, be, as Henry George contends and as I at once admit, 'only a part of wealth—that part, namely, which is devoted to the aid of production,' then a spade may be taken as the type or concrete example of all capital; and I should like you to reconsider your conception of both capital and interest in the light of this view." I think I immediately realized the importance and necessity of my acting on his advice, and I distinctly remember saying, "You have given me something to think about; but I wish you would go now, as I shall not be able to sleep till I have acted on your suggestion." After he had gone I carefully re-read the chapters in "Progress and Poverty" bearing on the subject, viz., Chapter II, Book I, and Chapters III and IV, Book V, and then carefully reviewed in my mind the whole question at issue. It was late, or rather early in the morning, before I went to bed holding practically the same views on the questions of Capital and Interest as I do at the present time, and which I have endeavored to elucidate in my book, "Toward the Light," to which Mr. Joseph Faidy so flatteringly referred in his article under the above heading in your Autumn Number.

The second time I discussed the matter with my friend, we were seated in a confectioner's shop; and I still remember the smile on his face when he said, "Fancy all the real capital in this Colony being destroyed, and the proprietor of this shop rushing forward with his piles of sponge cakes and sweets, which in common parlance represent his capital, telling his fellow-citizens not to be alarmed as there was still some capital left, which he was willing to place at their disposal. How could such things aid production? They may be regarded as wealth in course of exchange, but not as capital, if this term is to include wealth devoted to or capable of aiding the production of more wealth."

Thus it will be seen that I can claim neither priority nor originality for any discovery of new views on the question of Interest, even though, in Australia at least, owing to other circumstances, my name may have been more closely

associated with them than that of any of my co-workers. As it may interest some of your readers, I will briefly relate these circumstances.

By referring to the files of *Our Commonwealth*, a local Land Reform and Radical newspaper, edited by Mr. Singer, the first number of which appeared in May, 1886, and the last in August, 1887, and copies of which were sent, amongst other people, to Mr. Michael Flurschein, then living in Germany or Switzerland, I find that on July 3rd, 1887, I gave a lecture at the Adelaide Democratic Club on the question, "Would Land Nationalization abolish Interest?" Reading it over to-day, it does not appear to me to be either a strong or a good presentation of the case, but the following extracts may interest Mr. Faidy and others of your readers. In my opening remarks I said :

"At the present time a man in exchange for a certain amount of wealth can secure the legal right to extort tribute *for ever* from any one wishing to live on or utilize certain portions of the earth's surface. This is facetiously called 'investing capital;' and it is really this power so 'to invest capital,' which gives capitalists the overwhelming power they now have. The question to be discussed to-night is, 'Were such means of investing capital abolished, would interest on capital be abolished also?'"

I then continued :

"Most of you know that nationalizing the land simply means leasing it in such a manner or taxing its value to such an extent that its mere ownership would confer no advantage on individuals. The ever increasing land values would accrue to the State, and the use of the land would be secured at its lowest rental value to those who would put it to its best use. * * * What is Interest? Interest may be defined as a return for the use of wealth. But what is wealth? Wealth may be defined as accumulated labor. It is anything bearing the impress of human labor which gratifies, or helps to gratify human desires. Capital is part of wealth, namely that portion which facilitates future production. In my opinion it is restricted to machinery, tools, means of transport, and so on. I shall illustrate this later on; in the meanwhile you will please remember that all wealth is accumulated labor; and, all capital being wealth, capital is also accumulated labor. Interest, then, can be defined as a reward or wages for the use of accumulated labor. I am not going into the question as to whether it is justifiable, but rather as to whether you will be able to get it. I should like to remark in passing that Henry George's justification of interest, as natural and therefore just, is fallacious; that which he declares to be the national basis of interest is, according to his own showing the natural basis of wages."

And after a long discourse on Wages, Landlordism, and National Debts, I concluded as follows :

"When the shackles fall off production, they will fall off exchange also. The protection the workers require is not against one another, but against those who are robbing all of them, in all countries, of their wealth, health, happiness, and often of life itself. Wealth to be reproductive must be used either as capital or as wealth in course of exchange. To use same requires labor. Under the new condition of things the wealth will be secured to and accumulate in the hands of the workers. Will those who have accumulated wealth, and wish, as they do at present, to derive incomes from it without working, will they be able to obtain same? I will tell you what will decide this question—the law of supply and demand, which determines values. If the workers have enough wealth of their own, they will give nothing for the use of that belonging to others. If on the contrary the use of increased wealth will increase their earnings, the holders of same may be able to derive an income for allowing others its use. We must remember, however, that most forms of wealth are perishable * * * so that people who do not want to consume their wealth immediately, nor to work with it, may perhaps find some difficulty in preserving it and saving it until they do. Hence it is quite possible that they may be called upon to pay a reward for the preservation of such wealth. The German Economists have already coined a word for this, viz., 'Werthverwahrung.' We can, however, safely leave the law of supply and demand to settle this matter to the advantage of the whole community."

Crudely worded as much of this is, the observant reader will find in it the germs of the same ideas as I have endeavored to work out more elaborately in my recent book.

A few months subsequent to the publication of this lecture my friend and active co-worker, Mr. John Farrell,* then editing the *Lithgow Enterprise*, wrote

* Deceased. See obituary notice in another column.

an article in his paper in which he regretted that some Georgians did not agree with Henry George on the question of Interest, and expressed the belief that such men could not have seen "all the cat." I ventured to take up this challenge, and sent him an article on the question which concluded as follows :

"Wealth to be reproductive must be utilized, and in being utilized is more or less speedily consumed. The owners of same will naturally not allow it to be consumed or utilized by others unless they are secured the return of its value, and, if possible, a premium for its use. But to utilize same requires labor; and, what is equally important, to preserve same requires labor. Hence it may happen that those requiring others to utilize or to preserve their accumulated labor, wealth, may have to pay a premium for its preservation, instead of as now receiving a premium for its use. * * * Neither an individual worker nor any body of workers will pay a premium for the use of wealth belonging to others so long as they have sufficient wealth of their own. * * * Thus we see that it will much depend upon circumstances whether a 'capitalist,' not wishing or able to use his wealth himself, will be enabled to command a premium for its use, or himself have to pay a premium for its preservation. * * * To illustrate my meaning: A has a plane. Now a plane is wealth; it is also capital according to George's first definition of this term. If A puts the plane entirely on one side for twelve months, it will probably depreciate in value, get rusty. If A wants to preserve its value, he will have to look after it, or pay somebody else to do so. Now supposing B is a carpenter. If he has sufficient planes of his own, he will give nothing in exchange for A's plane. But supposing he wants one and that there are plenty As with planes, then one of them will soon be glad to save himself the trouble of looking after it and to let B have its use if he will return him its value. During the year B uses up the plane; the results of his work represents the value of his labor *plus* the value of the plane. The value of the plane he returns to A, and the surplus he keeps for himself as his wages or earnings."

In the next number of his paper Mr. Farrell admitted that for the first time he had been shown what he thought was a fallacy in our common Master's great work, "Progress and Poverty." And when Henry George came out to Australia some two years later, Mr. Farrell on his arrival asked him, with perhaps more zeal than tact, whether he had reconsidered his views on Interest, adding that there were few of those in the front ranks of Australian Land Reformers who agreed with him on that question.

Many passages in George's last work, "The Science of Political Economy," more especially, perhaps, his references to capital, on pages 406 and 414 (Memorial Edition) lead me to think that he was reconsidering his position on this merely academic question; but whether this was due to anything any of us of the Australian school of Land Reformers had said or written, I have no means of judging. But I should like here to express my keen appreciation of the fact that, as was only to be expected from such a man, of whom I am proud to claim discipleship, that he never allowed any such minor differences to diminish his appreciation of any books in which expression was given to them, or of the men who avowed them. And speaking for myself and co-worker, Mr. Singer, I may say that nothing gratified us so much as the warm congratulations we received from him on the appearance of our joint work, "The Story of My Dictatorship." Its great sale in America was, we well know, due almost entirely to his appreciative notice and personal interest in our work, even though he rightly felt bound to warn his followers that "Doctrinally there is only one point on which I would differ. It is in the assumption that the carrying out of the Single Tax would abolish interest. To me it seems that the effect would be rather to increase than to diminish the rate of interest. But this is a matter of only speculative importance, and is not given prominence in the book."

In conclusion may I say, in reply to Mr. Faidy, that I do not agree with him that the acceptance of the view that the withdrawal of land from the market as a means of investment and the concurrent stoppage of the issue of interest bearing bonds by responsible Governments would abolish interest, in any way makes Land Nationalization by means of purchase preferable to Land Nationalization by means of gradually increased taxation of land values. In the first

place, the former is quite outside the field of practical politics, the latter steadily gaining ground in every constitutionally governed country in the world. In the second, to use his own words, "The evil of private land ownership is two-fold; there is the first loss in payment to private individuals of rent for land actually in use; secondly, the strangulation of production due to the holding of land out of use, *and this last is the greater of the two.*" And it is this last that would be immediately broken down and utterly abolished by the adoption of that simple, effective and far-reaching fiscal reform we owe to the genius of Henry George, the Taxation of Land Values.

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BY JOHN FILMER.

In the Autumn Number of the REVIEW, Joseph Faidy, writing under head of "Henry George's Theory of Interest," expresses his disbelief in that theory and his acceptance of that advanced by Mr. M. Flürscheim.* He also has much to say in his paper in favor of land nationalization by purchase, which he believes would be greatly facilitated by "the new theory of interest."

I do not intend to discuss either Henry George's theory of interest, or "interest" *per se*, but to make a few remarks bearing on the reasonableness of Faidy's statement of what he denominates the true theory of interest, which is as follows:

"Interest exists on account of the opportunity to invest capital in land, which, unlike any other thing that is bought and sold, possesses the capacity of yielding revenue in perpetuity and without labor."

In a note which he places at the head of his paper, Faidy defines economic terms.† In what I have to say, these definitions will be adhered to. Capital, he says, "consists of labor products that are intended, not for immediate consumption, but to aid in further production."

The investment of capital in land is an exchange—the exchange of "labor products intended to aid in the production of wealth" for "land." Each party to an exchange gets something he desires more than what he parts with. The transaction is, therefore, mutually advantageous.

When land is used by its owner "rent" is returned to him in the results of his use of the land; when capital is used by its owner, "interest" is returned to him in the results of its use. In these cases neither "rent" nor "interest" is differentiated from the results of labor, but when a land owner lets some one else use his land and an owner of capital loans it to another to use, "rent" and "interest" are differentiated and separated from the return from labor—wages; the land owner receiving "rent" and the owner of capital "interest."

But, because land can neither be created nor destroyed by man, Faidy assumes that it possesses the capacity of yielding revenue in perpetuity and without labor; and because it possesses these attributes he claims that the opportunity to invest capital in land arises.

That land will yield revenue in perpetuity needs qualification. In perpetuity means without end. Land being indestructible, its capacity to yield revenue would never cease. Facts are opposed to this. Land which in by-

* "Private Rent the Mother of Interest" is Flürscheim's way of stating his theory in his book, "Rent, Interest and Wages."

† For the information of persons who have no previous knowledge of political economy and especially of the Single Tax doctrine it may be well to state that the terms land, labor, capital, wealth, rent, interest, are used in the sense in which they are defined in "Progress and Poverty." Land means the earth; labor is all kinds of labor both physical and mental; wealth means labor products, useful for the satisfaction of human needs; capital consists of labor products that are intended not for immediate consumption but to aid in further production; rent is the return from land; interest the return from capital