

we may look for a large accession to our ranks from these classes, and for the speedy triumph of our principles.

TORONTO, Ontario.

BY H. J. CHASE.

It is possible that Mr. George would have had less to say as to the cause of interest had he been less anxious to combat the belief so widely entertained that it is a form of robbery. Now, to demonstrate that interest is not robbery it is not necessary to enter at all into the question of why it exists. The producer of wealth ought to have the liberty to make any disposition of that wealth that he may see fit, provided such disposition does not constitute an infringement upon the equal liberty of any other individual. Consequently he ought to have the liberty to charge for its use whatever he may see fit; just as the laborer ought to have the liberty to charge for his services whatever he may see fit, and just as the land owner (under the Single Tax) ought to have the liberty to charge for the use of his land whatever he may see fit.

The explanation of the fact that people always have been, and probably always will be, willing to pay interest is as simple as the explanation of the fact that they are willing to pay wages, or of the fact that they are willing to pay rent. It is because the production of wealth takes more or less *time*. The man who desires capital has the choice of producing it himself or borrowing it. In the former case, he must defer the satisfaction of his ultimate desires for as many days, weeks, months, or years as will be required for the production of the capital. In the latter case, he can at once engage in the direct pursuit of his ultimate desires and so achieve them as many days, weeks, months, or years earlier. This is why the use of capital is worth something, and why it will continue to be worth something until everybody can be supplied with an Aladdin's lamp.

This, I understand, is, in substance, the "Austrian" theory of interest, so called, I suppose, because its author, Böhm Bowark, is an Austrian. Practically the same view was presented some twelve years ago by an American writer in "Annals of the American Academy," who, according to the editor of that magazine, was unaware of being in virtual agreement with Böhm Bowark, having followed an altogether different line of reasoning. It will be seen that the Austrian theory, no more than Bastiat's or Turgot's, conflicts with the deduction that interest moves with the margin of cultivation.

This, however, can scarcely be affirmed of the theory endorsed by Mr. Faidy, the credit of originating which, he informs us, seems to belong equally to Michael Flurscheim and Lewis H. Berens. They assert, according to Mr. Faidy, that interest is due to the fact that anyone who has the wherewithal can buy land, the ownership of which, unlike the ownership of anything else that can be bought, insures the owner against the necessity of ever having to work for a living.

"The prevalence of high rates of interest in new countries," says Mr. Faidy, "—accords with the new theory. Its cause is the rapid increase of population—; rent consequently rises rapidly, and these profits of land owning attract capital from legitimate employment. The capitalist in a new country, with opportunities for profit through land speculation, will not lend his capital at a low interest."

Certain expressions in the foregoing, together with one used a little earlier—"the opportunity of investing capital in land"—warrant the suspicion that the distinction in Mr. Faidy's mind between capitalist and land owner is not as clear as it might be; but let that pass. What he asserts is flatly contra-

dicted by the history of California in the early 50's. By far the most valuable lands in the State at that period were the placer mining lands. But there was literally no opportunity to speculate in them. No man was permitted to monopolize more than a limited number of square feet—a "claim," as it was called—and his continued tenure of that insignificant area was contingent upon his working upon it. If he allowed so many days to go by without performing any labor, his claim was open to the first comer. But, although the conditions were exceedingly unfavorable for the land speculator, and although they remained so for years, interest was much higher in California than elsewhere in the United States, if not in the whole world, and the rate was maintained for years.

And in all new countries of any considerable area the increase in population, rapid as it has been in some instances, has continued a long time before the aggregate of rent has reached a relatively high point. The expectation that such or such a locality would become a centre of population has frequently turned out to be ill-founded, and site values have fallen even more rapidly than they rose. In other words, the land owners in a new country are not, as a class, large sharers in the results of the application of labor and capital; and against the sudden gains of some of them must be set the even more sudden losses of others. More than one investor in our Western States, or in Australia, New Zealand or Argentina, has realized the truth of the proverb that "Hope deferred maketh the heart sick," or of that other proverb, "Up like the rocket and down like its stick." Indeed, whether the country be new or old, the ventures of the land speculator are perhaps as precarious, upon the average, as those of the capitalist. At any rate, the difference in this respect is so inconsiderable as to militate very seriously against the soundness of the latest theory of interest.

Again, it is not clear that the establishment of this theory would demonstrate, as Mr. Faidy seems to think, the superiority of land nationalization over the Single Tax in point of feasibility. If we undertook to buy out the land owners to-day, what prices should we have to pay? Present prices, of course, if we hoped to avoid strenuous opposition.\* The land would have to be appraised as though it were being condemned for public use. But, owing to extensive appropriation, what we call the fair cash value of land is much in excess of its actual value for either business or residential purposes; and, of course, inflated capitalization is but the index of inflated rent.

The amount of the bonds to be issued must equal the amount of this inflated capitalization, and the so-called interest upon them must be at the current rate, which would make its amount much greater than the present income of the land owners. Unused land, however valuable, yields no income; but practicable nationalization involves payment of the price of such land, that is, the incurrence of a debt of the same amount and nature as would be the case if the land were in full use.

It is evident, then, that the new landlord, the State, could not collect enough rent to meet the interest on the bonds. For, even to hold the land at its present excessive rental value would be to obtain no larger income therefrom than the present landlords are receiving, and to raise rents to the extent necessary to meet the deficit would be to demonstrate that we had jumped from the frying pan into the fire.† The deficit, and in addition thereto, the entire expense of public administration would have to be met by taxation upon

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\* This is leaving out of account the fact that the mere prospect of nationalization would boom land values prodigiously. "Present prices" would have to mean, therefore, those prevailing before the boom began.

† To let the vacant land at reasonable rentals would depreciate the rentals of the land in use, that is, would fail to increase the aggregate of the rentals.

production. Waiving the consideration of the fact that the principal of the debt must be paid some time or other, immediate land naturalization does not appear to be very feasible. Even if it destroyed interest, it would not destroy the periodical payments on the bonds, for these payments would not be real interest—only a transformed rent, and a good deal more of it than there is of present rent.

Instead of buying out land owners at present or any other prices, why not assess them upon present prices, or, as near present prices as is possible without necessitating an early revaluation? There is no law against this. On the contrary, in most if not all of the states the law is, that land shall be taxed upon its full and fair cash value. If this were done, the resulting decline in land values would make nationalization much less impracticable than it is at present.\* But, since taxation to the extent not only permitted but required by present laws would eliminate speculative rent, leaving only economic rent to be dealt with, what could be more feasible than to amend present laws so as to permit taxation of economic rent to the full limit? The opposition of those whose property comprised more land value than wealth might be strenuous; but the favorable results following increase to the present limit would win the support of many whose property comprised more wealth than land value, and should win the unanimous support of the landless. More than doubtful is the feasibility of paying any price at all for that which already belongs to us, since a perfectly practicable change in the incidence of taxation would put us in full possession "free, gratis and for nothing."

PROVIDENCE, R. I.

BY J. R. CUMMINGS.

I wish to reply as briefly as possible, knowing your space is limited, to the article in your Autumn issue by Mr. Joseph Faidy on the subject of interest. I know that many Single Taxers dismiss the subject as of little importance, considering it only academic, and if I agreed with them I should not ask even a limited space for its consideration, but as my experience is that the people who regard interest taking as wrong outnumber those who regard rent taking as licensed robbery, I consider it important to show that interest is the expression of a natural law and, therefore, right, and consider it especially important to the cause of the Single Tax, to show that under natural conditions the interest rate will fall until it is little more than nominal.

My argument, being taken from a somewhat extended treatise, will unavoidably be disconnected.

First, the student should understand that interest is a phase of value and is not related to wages; that is, does not go up and down with wages, as Henry George contended. We must, therefore, have a proper understanding of value before we can understand interest.

Value is an expression of the stress of human desire upon utility, and as men exchange things in order that each may get the things he desires most it is evident that the basis of exchange (value) is a higgling of all the desires brought to bear.

An exchange, to be equitable, must be an exchange of equivalents, not of equal utilities (in the common understanding of the word), but of equal values.

As between two persons making an exchange, each should get what he desires more in exchange for what he desires less. This is commonly the case,

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\* Mr. Faidy admits that increase of taxation would "make the land owners more willing to make terms," that is, willing to sell at a lower price. Undoubtedly, and continued increase would finally make them willing to sell at any price.