

would wonderfully stimulate the production of capital. While capital might continue to be loaned, it would be from one laborer or set of laborers to others, and not from a distinct capitalist class. The latter would tend to become obsolete.

One of the Socialist's principal failings is that he does not recognize that human desires have no limit. The fact is that all human wants can never be supplied offers the only excuse for the persistence of commercial interest under a dispensation of economic freedom. When we assume that under the Single Tax the production of wealth will be so great that few will care to borrow, while many will be able and willing to lend, and that as a result the payment of interest will cease, may we not be unconsciously acquiescing in the fallacious assumption underlying the Socialist philosophy that there is a limit to human want?

While the study of the subject of interest is fascinating, it is probable that we will have to secure the application of the Single Tax before we can be certain whether or not interest is natural. At all events there can be no question that it will persist under present economic conditions. Personally I am inclined to the opinion that under the Single Tax the time would soon come when few would care to borrow, and commercial interest would practically cease.

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A CORRECTION AND ELABORATION.

BY S. J. CHUBB.

Allow me to correct an error in the printing of my article on Interest in the Spring number of the REVIEW.

On page 10, near the close of the second paragraph, the word *planks* should be *planes*. As the purpose of my argument was to point out Henry George's error in neglecting in his illustration to show the application of the borrowed capital in the production of planes as well as in the production of planks, this error considerably obscures the sense.

There is also an error on page 9, the seventh line from the bottom, where the word *reversed* should be *secured*; and on page 13, in the second paragraph below the subtitle "Toward The Light," the quotation marks include too much, the first sentence only being quoted.

I will take the opportunity to point out more fully the fallacy in the illustration of the borrowed plane, as given by Henry George, for it seems to me that it was through his error at this point that he was led to seek another basis of interest than "the power which exists in the tool to increase the productiveness of labor," and proceeded to develop his theory of interest as originating in the reproductive forces of nature.

Although very clear in his definition of capital as distinct from other wealth in its use, not in its nature, he seems sometimes to have lost sight of this distinction in his reasoning concerning interest. He speaks of "directing labor to the production of capital," as though capital were a form of wealth. And in another place of its being "more profitable to turn labor into capital than to apply it directly." The supply of capital does not depend on the diversion of labor to the production of particular forms of wealth, but on the devotion of wealth to a particular use; and there is no profit in any other use of wealth.

Though certain forms of wealth may be necessary for use as capital, the question of skill in the production of these forms of wealth does not enter into the problem. A shoemaker who desires to supply himself with capital in the form of a sewing machine, will not quit his trade and turn machinist. He will merely abstain from the consumption of luxuries to such an extent as shall enable him to accumulate capital to the value of a sewing machine.

To make the illustration of the borrowed plane a true representation of actual practice in the procuring and use of capital, William, desiring to provide capital for himself, should, instead of turning plane-maker, have continued at his regular employment, setting aside out of the product of his labor so many planks as he could spare from his necessary subsistence until he had accumulated them to the value of a plane. How many planks equal this value is not shown in Henry George's illustration, for a plank there represents the result of a day's labor aided by capital in the form of a plane, while the plane represents the result of ten days labor unaided by capital, and therefore a less value than ten planks. We will assume, for the purpose of illustration, that this value equals eight planks, and that six planks are required for ten days subsistence. William will thus be able to set aside two planks every ten days, taking forty days to accumulate the value of a plane. In case he borrows the plane from James, his product being thereby increased to ten planks, he will be enabled to set aside four every ten days, and will accumulate the required amount of capital in twenty days.

We thus see that "the increased productive power which a plane gives to labor" is transferred with the loan of the plane, and it is because of this increased productive power that William is enabled to pay interest, and not because James has the option of investing in live stock, or in land, and is unwilling to lend his capital for a less return than these investments will yield.

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INTEREST HAS NO ETHICAL BASIS.

BY ALAN C. THOMPSON.

All economic laws are, in the last analysis, moral laws; and the fundamental moral law of economics, is, "Service for service." Upon this ground alone, we can see there can be no place for interest in a community founded upon justice. For if any one can get an income from past labor, while leaving the total result of such labor undiminished, it is possible for future generations, in perpetuity, to live upon the labor or stealings of dead ancestors, thus maintaining a race of parasites in no way better than present day landlords.

However, it is not sufficient to say interest is unjust and will disappear with the unjust conditions that produce it, so it will be well to consider carefully what it is and how it arises.

Interest is a payment for the use of capital (wealth used in production) over and above any allowance for depreciation. Capital is a product of labor and is really labor in another form. Its function is to aid labor and increase its productiveness. It is commonly stated that it is entitled to a share in the product in return for this aid. That under existing conditions capital does secure this return is certain, but this is not because of anything inherent in capital itself, but because of the conditions under which it is employed, as will be seen on further consideration of the matter. The rate of interest proper, eliminating insurance against risk, depends on the relative supply of capital, and the demand for it based upon the net increase which attaches to its use. It will naturally be high where capital is scarce, and low where it is plentiful. In new countries interest is high because there is plenty of land free to all comers, or at least to be had upon much easier terms than in older countries and so there are better opportunities for investing capital productively, that is to say the net increase is greater. In new and partially settled countries, the organization of labor, in consequence of the limited population, is comparatively rude, there is little accumulated wealth, and so the effectiveness of labor is much less than in older countries. Until the same development takes place that already