

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,

* 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.

and it is thus that the benefits of exchange accrue to the individual. In all exchanges that are equitable and wisely made, each article of exchange passes from a lower to a higher utility.

A loan is an exchange as truly as a purchase and sale, but it is an exchange of a present utility for a future utility. It does not differ from any other exchange in the principles involved, and to be equitable it must be an exchange of equivalents. To put it in terms of money, if A borrows \$100 from B for one year, he must promise such sum as, at the distance of a year, exerts the same influence upon B's desire as \$100 to be realized at once, or in hand. (In organized societies it is the total expression of desires that usually controls, but the principle is the same).

If B cannot desire a given quantity of things in general for use in a year as intensely as he desires a like quantity for use now, it is self-evident that it will require a premium to induce him to exchange present utility for future utility; and if this is true of men in general a premium will be the rule in exchanges of future for present utility.

It is true of humanity in general that desire attaches more firmly to the means of supplying needs, the nearer the needs are in time, and for this reason the value of a given utility decreases as it is removed in time.

It may be said that B, having more than he desires to use at present, should loan to A without a premium; that conservation and the return of the exact amount is all that should be asked; but this is not sound. The cost of conservation is deducted from the interest rate, for the risk of keeping money in one's possession and the cost of a place of safe deposit cause hundreds of millions of dollars to be deposited in banks to be loaned out, and because of this the interest rate is much lower than it would otherwise be.

A is estopped to ask B to value the future utility on a par with the present utility, for in his effort to make the exchange he shows that he himself does not so value it. Not only so, but it would be as reasonable for B to demand of A all that his proposed use of the capital could pay.

As humanity advances it will value future good more and more nearly on a par with present good, and the interest rate will fall just as this change takes place. The change will be indicated by the fact that as humanity progresses, it will build more and more for future use as well as for present use; build houses, furniture and all classes of public utilities to endure for ages instead of for decades. A 10 per cent. interest rate means anything that will do for the present and immediate future—poor houses, poor roads, poor everything—while a 1 per cent. interest rate will mean houses to last for hundreds of years and everything else of like character—the best that can be.

If there ought not to be interest, it must be because the certainty of a given utility (say \$100) in a year is equal in value to \$100 in hand. If this is true, then \$100 in two years is equal to \$100 in one year, and so on to infinity. We then have an infinite series of equal terms, thus: \$100 now = \$100 in 1 year = \$100 in 2 years = \$100 in 3 years = \$100 in 4 years, and so on to infinity. It follows, then, that \$100 at the end of time is equal to \$100 now. But a loan without interest for all time is a gift, hence the doctrine that \$100 in a year equals \$100 now is true only in conditions where a loan and a gift are identical; that is, when values have disappeared.

It should be remembered also that if there were no interest nearly all loans would of necessity be call loans, for a man could not be expected to loan without compensation, except during the time he did not wish to use the thing loaned. But we already have call loans without interest—the deposits in banks—and if men in business were forced to choose between call loans without interest and loans for a definite time with interest nearly all except the very wealthy would take the latter.

And as the interest rate directed capital into the hands of those who can make the best use of it, how could it be so directed without interest? There being enough borrowers to take all the loanable capital at the current rate, where would the capital come from to supply the many times greater demand at no interest?

Let any man who thinks interest inequitable consider what he would do in regard to building a house if he could not rent it for more than maintenance and depreciation in case his health or business interests forced him to change his residence. There would be no way to recover his investment except in dribbles from year to year till the house fell into ruins, and the better the house the longer it would take him to recover it. Does some one say that he should sell it? Who would buy a house if he could rent one on no-interest terms? There would be the same reason for not buying as for not building.

Henry George made the mistake of linking interest and wages, whereas interest and value are linked, and both are antithetical to wages. As value goes down (and interest with it) wages go up, and when wages touch infinity value and interest touch zero; that is, when all we want can be had without labor wages are infinite and value and interest have disappeared.

CHICAGO, Ill.

BY JAMES LOVE.

In the Autumn number of *THE SINGLE TAX REVIEW* Mr. Joseph Faidy attempts to show that the theory of Interest as set forth in "Progress and Poverty" is fallacious. The honor of making the first announcement of the discovery being between Mr. Michael Flurscheim, of Germany, and Mr. Lewis H. Berens, of England. The cause of Interest lying, as all these gentlemen agree, in the private ownership of land; and "That with the withdrawal of land from the market as a means of investment interest would be abolished."

In "Progress and Poverty" it seems to me that Book III, entitled "The Laws of Distribution," makes the matter of Interest so clear that I cannot understand how men who accept the rest of that book can reject Chapter 3—on Interest and the Cause of Interest; Chapter 4—on Spurious Capital and Profits, often mistaken for Interest, and Chapter 5—on the Law of Interest. These chapters are so accessible, their argument is so conclusive, their style so perfect, that I need only to cite them and then confine myself to the paper in discussion.

Mr. Faidy's notion of Interest is evidently indefinite, for he thinks of it as including only the returns that pass from the borrower to the lender of capital, besides confusing Interest with "Rent." Now "Wealth," being the joint product of the ultimate factors Land, Labor and Capital, is necessarily (by natural laws of the human mind) "distributed" among these factors; Interest being the share that falls to Capital whether borrowed or not borrowed. Were it possible to abolish Interest, Capital would obtain no share, and there would be small motive to accumulate it or even to produce it. And it seems to me that much of it would cease to have *exchange* value—would cease to be wealth.

"Interest," Mr. Faidy says, "exists because of the opportunity of investing capital in land, which, unlike anything else that may be bought and sold, possesses the capacity of yielding a revenue in perpetuity and *without labor*." Here his expression "investing capital in land" conveys a vague idea that the capital is absorbed, or disappears. But, if one having the capital of a mill building and machinery, let us say, chooses to "invest them in land," he would simply *exchange* them for land, by the usual method of first exchanging