

present systems of land ownership and taxation, and does not in any way detract from the soundness of the proposition that along with freedom of production, and freedom of exchange, there should go freedom to issue the currency by which exchange is facilitated.

WHIDDEN GRAHAM.



## HENRY GEORGE'S THEORY OF INTEREST.

*Expressly for the Review.*

BY JOSEPH FAIDY.

NOTE.—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.

That Henry George's theory of interest is fallacious begins to look like a certainty. However regrettable it may be that this defect should exist in his work it is a matter for congratulation on the other hand that the new theory, if it is sound, not only reinforces the rest of his social philosophy from the theoretical standpoint, but will tend to greatly facilitate and expedite its practical accomplishment. Furthermore, the new discovery was made possible by his work and the exponents of it admit their indebtedness to his teaching. It is the case of the pigmy on the shoulder of the giant and seeing further than the giant; the comparison can be made without derogating from the merits of the two writers to whose works it is the purpose of this article to call attention. To be compared at all to Henry George is distinction enough; most men in such a comparison would acquire the quality of invisibility. That the new theory is well founded there can be little doubt; for, besides the internal evidence which it bears on account of its reasonableness and simplicity, it has also been reached independently by different persons.

The honor of making the discovery or of being the first to publish it appears to be between Mr. Michael Flurscheim, of Germany, author of several books on economic subjects, and Mr. Lewis H. Behrens, previously known as one of the authors of "The Story of My Dictatorship." As to the cause of interest both are agreed, and both are of the opinion that with the withdrawal of land from the market as a means of investment interest would be abolished. But whereas Mr. Behrens stops there and says that after all the question is merely academic, Mr. Flurscheim carries the discovery to what, in the writer's opinion, is its logical conclusion, to wit, that it is entirely possible to nationalize the land and achieve all the objects of the Single Tax (and much sooner at that) by simply paying the present owners for their land. It is not quite clear which of these writers was the first to announce the new theory. The preface of Mr. Flurscheim's book, "Rent, Interest and Wages" in which his ideas are set forth, is dated 1890; Mr. Behrens's book "Toward The Light" is a new book which has been but recently published, but his "Story of My Dictatorship" was published many years ago, and in that little work the idea that interest would cease with the taxing of land value is indicated fairly distinctly. It is very evident that both of these books were made possible only by the writings of Henry George. Mr. Flurscheim in his preface speaks of his book as an appendix to "Progress and Poverty." Mr. Behrens does not specifically state that his book was inspired by George's writings, but its tenor shows his discipleship, and both of the books are practically commentaries on "Progress and

Poverty ;" the original matter which they contain was inspired and suggested by that master work. In setting forth their differences with Henry George on the question of interest the references to his writings are in terms of the highest respect and admiration.

As we all know, George maintains that interest is legitimate and natural, and would continue to exist after the adoption of the Single Tax. He advances as the cause of interest the power of growth which he supposes to be possessed by certain forms of capital. While admitting that certain forms of capital are inert, he argues that there are other kinds which contain in themselves the power of growth and reproduction and which will yield a return separable from that attributable to labor. Such, he believes, are the various species of vegetation and of the animal kingdom—wealth invested in the seed will be multiplied in the harvest, and the value of an animal increases with its growth. Finally he believes that there are even in some of the inert forms of capital some instances of power to increase in value, as wine, the quality of which improves with age. And so this advantage of bringing increase, which he asserts attaches to some kinds of capital, is by means of the interchangeability of wealth averaged up among all kinds, for "no one will keep capital in one form when it can be changed into a more advantageous form. This, practically speaking, is all of the case in speaking of the legitimacy of interest.

It is surprising that one possessed of the wonderful powers of analysis which are evinced everywhere else throughout his work should have fallen into an error so palpable as this. In all but his theory of interest the lucidity of his argument makes us see with his own clearness of perception, and we are convinced and satisfied, but was anyone quite convinced and satisfied by the third book of "Progress and Poverty"? Has it not rather occurred to many Single Taxers that the cause in the increment in the value of the calf (one of the illustrations used) is simply the calf's access to land, coupled perhaps with some human tending, and hence that the increment represents rent in the one case, or rent or wages in the other case ; and so of course with the seed. As to the wine, its increase in value under natural economic conditions would about equal the rent of the storage coupled with some necessary surveillance, risk by fire, etc.

What then is the true theory of interest ? Simply this: Interest exists on account of the opportunity of investing capital in land, which, unlike anything else that may be bought, possesses the capacity of yielding a revenue in perpetuity and without labor. Land, using the term in its economic acceptation, possesses two qualities common to nothing else under the sun. It is indestructible and cannot be increased. The possession of land, therefore, is equal to the ownership of a sort of perpetual motion machine that brings in a revenue without diminution of the original investment; but remove land from the market as a means of investment and what other employment of capital would yield interest ? We find upon reflection that any form of capital in which we can invest lacks the quality of indestructibility and is also not incapable of being duplicated. Lacking the quality of indestructibility, the cost of maintenance, especially under conditions where labor obtained its full product as wages, would equal the annual revenue ; lacking the quality of being incapable of duplication it would be found that with improved methods of manufacture the value of the original investment would decrease. Furthermore, under natural economic conditions production would be greatly increased, and capital instead of commanding a bonus would seek employment on condition of mere safe keeping and maintenance. The prevalence of high rates of interest in new countries also accords with the new theory. Its cause is the rapid increase of population on account of the influx of immigration ; rent consequently rises rapidly, and these profits of land owning attract capital from legitimate

employments. The capitalist in a new country, with opportunities for profit through land speculation, will not lend his capital at a low interest. In old countries the population does not increase as rapidly on account of the absence of immigration, and there is obtainable only the rent at the time of investment without prospect of much increase. Furthermore a large part of the high interest so-called that prevails in new countries is simply compensation for risk. But it is not the purpose of this article to enter into a detailed exposition of the new theory; the thing is all simple enough, once the key is given, and the purpose of this article is simply to call attention to the discovery and to refer the reader to the works above mentioned where the details will be found worked out and all the phases of the interest question accounted for on this theory. Mr. Behren's new work is entitled "Toward the Light," and is published by Swan Sonnenschein & Co., Paternoster Square, London; Mr. Flurscheim's ideas are set forth in his book "Rent, Interest and Wages," published by Wm. Reeves, 185 Fleet Street, London.

The mere theory of interest, however interesting from a scientific standpoint, pales into insignificance compared to the practical possibilities which it opens up. The objection which has always been urged against the feasibility of nationalization by purchase is that it would substitute one burden for another; the nation would get the rent, but would have to pay interest. Now even if it were true that interest would continue to exist after the nationalization of rent it has never seemed to the writer that this would be an insuperable obstacle to the plan of purchase. It is a good investment for individuals to buy land; why wouldn't it be for the nation? The tendency of land is to increase in value with industrial improvements and the growth of population; the nation would therefore reap these benefits, and before long the rent would far outstrip the outgo in interest; furthermore the enormous increase in production which would result from the ending of land speculation and of the holding it out of use would enable the nation to rapidly extinguish the principal of the debt. The evils of private land ownership are twofold; 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 land out of use, and this last is the greater of the two. Now both these evils would be entirely abolished by nationalization no matter how effected. If effected by purchase the suppression of the first evil of having to pay rent to individuals would be counterbalanced by having to pay them interest (if it were true that interest would persist after nationalization); but even in that case the advantage of terminating the second evil would be a clear gain, and as has been said the people could stand a special tax to retire the debt. But now if the theory of interest which is here advanced is sound, then the objection to the feasibility of nationalization by purchase vanishes entirely.

That the new theory is sound and the proposition to pay for the land a practicable one the writer has no doubt, for he reached these conclusions after working on the problem a long time and without at that time having heard of Mr. Flurscheim or of Mr. Behren's new book. It is proper to say, however, that "The Story of My Dictatorship" suggested the inquiry. It would be a strange thing that the earth which is destined to sustain the human race for many ages to come could not afford wealth enough to pay for itself at a price based upon its capitalized rental value for about twenty or twenty-five years.

It is evident that the new proposition opens the way to a much earlier realization of the objects which we seek to accomplish and to which our great leader devoted his life. Many newspapers would support the purchase plan, or at any rate more readily open their columns to its discussion where they are afraid to offend the House of Have by any mention of Single Tax. We have some proof of this in that newspapers of all kinds discuss government owner-

ship of public utilities ; there would be less opposition from the owners of the land if it were proposed to nationalize it in the same manner as it is understood the public utilities are to be taken by the government, that is by paying the owners ; so the conspiracy of silence would be broken, and before long the public would begin to realize that the earth is a public utility.

In the writer's opinion it is probable that the nationalization of the land will be accomplished by a combination of the Single Tax and compulsory purchase such as prevails, to some extent, in New Zealand. The taxation, actual or potential, will have the effect of lowering land values and make the land owners more willing to make terms.



## THE SINGLE TAX IN OHIO POLITICS.

*(Expressly for the Review).*

BY J. B. VINING, SECRETARY-TREASURER OF THE OHIO SINGLE TAX LEAGUE.

During the past few years the Single Taxers of Ohio have gone on, step by step, until to-day the entire Democratic organization is thoroughly permeated with their influence; you will find no considerable gathering of Democrats that does not contain a group of forceful, tactful "George" men. They can be found on the party committees, in the Legislature and as candidates for the coming election. Everywhere they are in evidence, from the ward-worker to the candidate for Governor.

Of course, it is understood that the principal reason for this is the leadership of Tom L. Johnson. Single Taxers understand, if others do not, the motive that impels him to carry forward a fight which is at all times an up-hill struggle against the tremendous power of conservatism. Conditions to-day show that they appreciate this leadership, and are not slow in putting forth every effort to aid in the advancement of the cause.

In so far as the city of Cleveland is concerned, there can be no reason for other feeling than that of pride and hope by all who desire good government. On the eve of a political battle, which has seldom been exceeded in bitter denunciation from our opponents, there has been little effort made to attack our present municipal administration, over which Mayor Johnson has held undisputed sway for more than two years; indeed, what little is said in the way of criticism is so insignificant as to attract hardly any attention. Never before in the history of this city has there been such a clean business management; one, too, that is free from the suspicion of "graft." The word "crooked" is no longer applied to the Council and high officials, as has been common in the past. In fact, a new life in municipal affairs has taken hold of the citizens; they are beginning to believe that some politicians are honest; that some of the men they have of late elected are both faithful and sincere.

One of the contradictory features of the present fight is the fact that the speakers and press, who have all this time declared, in season and out of season, that Tom Johnson is not sincere, are now laying tremendous stress upon how absolutely sincere he is in his advocacy of the Single Tax. They are beginning to feel and know what the people of this town have long since found out; that Mr. Johnson is not only a sincere advocate of the Single Tax, but that he is sincere in his advocacy of higher civic virtues and public rectitude in government officials. If the Republicans do not realize that Mr. Johnson is sincere in his pre-election promises, and party platforms, and present pledges, those recreant Democrats who have felt the power of the Mayor's righteous indignation by