

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.

LONDON, ENG.

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-

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\* "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

gone times was densely populated by highly civilized people and yielded revenue, is to-day a barren waste. Its once magnificent cities now lie buried beneath heaps of unproductive "land," the accumulation of centuries. The land upon which these cities stood has for centuries yielded no revenue. Again, the statement that land will yield revenue without labor needs to be modified. For, while it is true that some land has yielded revenue for many generations past and may continue to do for generations to come, without any labor on the part of the owner, yet it is equally true, that if those who occupied the land did not labor it would yield no revenue to either owner or user. But land *values* which come into existence with the presence of population, as we say, and increase with the co-related activities of the people, like all other things that are due to man's presence upon the earth, are perishable. Yet it may be conceded that land *values*, while not so permanent as land itself, are yet more enduring than the material productions of men; some land retains the capacity to yield revenue through many generations of men, while the capacity of products of human labor—capital—to yield revenue ceases with its own existence.

But why should "capital" cease to yield revenue when it ceases to be profitable to invest capital in land? The market price of land, as we know, is the capitalization of its untaxed rental value. The public appropriation of the full rental value of land will, therefore, leave no rental value for land owners to capitalize. No one then would be willing to exchange capital for land. Both the incentive to *invest* capital in land and the necessity of *buying* land for use would simultaneously disappear.

But Faidy assumes when land ceases to yield "rent" to its owner, that capital will cease to yield a return. As a Single Taxer, he understands that concurrently with the public appropriation of the rental value of land taxes on labor and labor products will cease; that the effect of the former will be to free natural resources to labor, and thus to open the way for many to employ themselves, who are now debarred from doing so; of the latter, to leave to the enjoyment of the laborer a larger proportion of his product; and their joint effect, to liberate a vast amount of pent-up human energy. Demand for wealth, in its various forms and for services that do not result in material forms, that tend to satisfy human desires, would as a consequence be greatly stimulated. Can it be possible that capital forms of wealth would then become super-abundant, and that the owners of capital would stand in the market place begging others to take their capital and use it, asking nothing in return? To answer this question affirmatively leaves out of consideration, it seems to me, the dominant factor—*human* nature.

"Man seeks to satisfy his desires with the least exertion." In conformity with this law capital came into existence and it has increased as human wants have increased. Capital is the mediate means of satisfying the immediate wants of man. An equilibrium exists between the mediate means of production and the things that satisfy immediate wants. In the very nature of things the supply of capital coincides with the demand for all other things which it aids in producing. Demand for bread, for instance, involves demand for wheat or other grain; demand for grain, the demand for agricultural implements, machinery for grinding; the means of transportation, storage, and finally converting into bread. And so likewise the demand for clothing, and for every other thing that satisfies the immediate wants of men, involves the demand for the mediate means—capital—of producing them. Supply is the response to demand, and demand becomes effective in proportion as the source of supply—land—is accessible to labor.

Owing to the mis-appropriation of "rent," the movements of the industrial body have become eccentric. But should "rent" be appropriated for public

use, and the artificial and arbitrary restrictions to production and exchange, which have come into existence in consequence of private appropriation of "rent" abolished, the motion of the industrial body will become centric. The desires of men will then have a natural outlet, the demand for the means of satisfying them greatly stimulated, and will outrun the supply.

Under such conditions, conditions which Single Taxers hope and expect will prevail when the principles they are contending for shall have been established, men, individuals, will still seek to satisfy their desires by the least exertion. They will produce capital as a means to this end, and only with the reasonable expectation that it will yield a return.

It seems contrary to reason, therefore, to conclude that "capital" will cease to yield a return in consequence of the substitution of public for private ownership of "rent."

BROOKLYN, N. Y.

BY S. J. CHUBB.

Joseph Faidy, discussing in the Autumn Number of the REVIEW Henry George's theory of interest, commences with the statement that the fallacy of the theory begins to look like a certainty; but says it is a matter of congratulation "that the new theory, *if it is sound*, [italics ours], not only reinforces the rest of his philosophy from a theoretical standpoint, but will tend greatly to facilitate and expedite its practical accomplishment."

I agree with Mr. Faidy that there is no doubt of the fallacy of Mr. George's theory, and that it is a matter of regret that this defect should exist in his work. And, no doubt, the true theory, when made known and generally accepted, will tend to support the great principles which have become so closely associated with his name, and to hasten the date of their practical application.

But I cannot admit that this new theory, which Mr. Faidy accepts with so much confidence, dividing the honor of its discovery between Messrs. Berens and Flurscheim, is in any degree nearer the truth than that of Henry George. Its promulgation in Mr. Berens' very interesting little book, "Toward the Light," may, however, be the means of leading thoughtful minds to the discovery of the true theory; for, though the light of truth does not seem to have reached the author with the clearness that might be desired, yet the book proves its right to its chosen title by dispersing a good deal of the fog with which that light has hitherto been surrounded, and leading its readers, if not right up to the light, well on the way toward it.

In his chapter on interest, Mr. Berens, quoting some of the words of Henry George, puts the question, "Is interest, or the premium now obtainable for loans, which has now to be paid for the use of wealth, a natural or an arbitrary thing? Is it the result of the laws of the universe which underlie society, and therefore just? or is it the result of a particular social organization, and therefore but the robbery of labor which under social conditions based on natural law, upon justice, would tend to disappear?" In a previous chapter he has shown that "the reciprocal exchange of services is the animating principle of peaceful, voluntary association, the inspiring principle of all social life."

The question, therefore, resolves itself into this: whether in the payment of interest there is such a reciprocal exchange of services between the borrower and the lender. A suggestion of the answer to this question is conveyed in Mr. Berens' classification of wealth in two divisions, the one consisting of "enjoyable," the other of "serviceable," commodities. The latter being such as are usually classed as "capital," those for the use of which interest is paid. Is it not paid in return for their "service" to the borrower?