

to the man with a threshing machine: "I will pay you for your labor just what I can get threshers without threshing machines to work for, but I shall expect the free use of your threshing machine? You would say of that farmer—"He must be a fool!" Then what must we think of the "reformer" who says interest is unjust and should be abolished? Does he understand the meaning of the terms, "interest" and "capital?" Horses are capital, a threshing machine is capital—that part of wealth used to aid in producing more wealth—and hire for their use is interest.

It would be difficult to conceive of any student of political economy being more blindly illogical than one who should seek to illustrate his point against interest by an instance of "investing" money in land and then calling the ever-increasing income from land "interest." "Interest" derived from land is rent. "Rent" for the use of buildings and improvements is interest.

To a friend of mine who expressed a friendly doubt concerning the claim made in "Progress and Poverty" that interest is just, Henry George without attempting to discuss the question simply said: "The great fact is we must all pay interest." I have since thought how full of meaning were his words, for interest is one of the three parts into which all production is divided. If short of the millennium we stop paying interest, it will be when Socialism confiscates every store, workshop and factory and all the tools of production in the land, and then it will be about time for civilization itself to stop.

Interest is as justly and righteously due to capital as wages are to labor for the aid given by each in producing wealth.

PEORIA, Ill.

## THE INTEREST QUESTION.

BY MICHAEL FLÜRSCHHEIM.

I should like to add a few words to the symposium of your Spring number, in which my writings have been repeatedly referred to. First, I want to say something about the origin of the theory that Interest is the child of private land ownership. As far as I can trace it back Calvin was the first to give expression to the idea 400 years ago, but it is usually best known as the "Fructification Theory," ascribed, it seems, to the French economist Turgot, who lived in the eighteenth century. That Mr. Berens, Mr. Faidy and I came upon the same idea independently and without knowing anything of our predecessors is probable, certain, anyhow, as far as I am concerned; for in this a man can only speak for himself. These coincidences are, anyhow, too frequent to cause any astonishment, and it certainly would have been more delicate in Mr. Berens if he had omitted the allusion to the copies of the "Commonwealth" which were sent to me before I embodied the idea in "Rent, Interest and Wages," an allusion also contained in a so-called review of my latest book "Clue to the Economic Labyrinth" in "Land Values." Though I first brought out the theory in "Der einzige Rettungsweg," written in 1883 and published in 1884, and though the best proof that Mr. Berens was not unacquainted with my earlier writings is supplied by his translating the little parable "Hans and his cakes" in the "Commonwealth," I have never held or expressed the opinion that Mr. Berens might have taken his ideas on this subject from my writings.

I have always regretted our great leader's peculiar ideas on this subject. I had taken an early opportunity of asking him to reconsider them, and thus to strengthen his means of attack against the common enemy. It must have been in 1886 or 1887, a period at which I had not as yet had the honor of becoming personally acquainted with him, for I find among my corres-

pondence the following letter from him, dated from New York, September. 21, 1888, which reached me a considerable time after I had written him:

“ Dear Mr. Flurschein—I learn through our mutual friend, Mr. Prang, that you are irritated at the manner in which I have treated your communication about interest. I am sorry for this, as I have a very high opinion of you, and a very high appreciation of the work you are doing. But the difference between us in regard to interest, though it may be a matter of great theoretical importance, is a matter, at the present time, at least in the United States, of no practical importance, and I have been so intensely occupied with pressing matters that it has been impossible for me to give that attention to any theoretical matter that I am sure you would like me to give if I were to make an answer to you. As soon as I get again a little of the leisure I so much long for, and have been for such a time deprived of, I will carefully consider your propositions and make a review ; but for the present every nerve is strained in the effort to push forward what is of immediate concern. I have never thought differences between men who hold common views on the most important propositions to be of much account. If we all work in our own way, the truth is certain to come uppermost at last. With much esteem and cordial good wishes,  
I am, yours very truly,

HENRY GEORGE.”

He had not found the leisure yet to study the subject when I paid him a visit in New York in April, 1893. He still could not get over the difficulty, of seeing—as he expressed himself in a public discussion between me and some of his friends in the Single Tax Club of New York—how a tailor would ever sell a coat as cheap on ten years credit as he would for cash. My reply was that if the tailor could not find any way of investing money at interest and if his customer offered absolute security for the punctual payment of the debt, the tailor might perhaps prefer to consume or use the amount after ten years to having it on hand at once. That George had made some progress in this great question was proved to me at this occasion by the words with which he concluded the debate : “ All I can say, Mr. Flurschein, is this, if you are right, if interest disappears with private rent, so much the better!” Which would hardly have been consistent with the maintenance of his former theory that interest and wages rise and fall together.

I felt highly interested in the symposium, and wish the short time allowed just now by the departure of the American Mail from Apia, where I am penning this, would allow me to join in the discussion, but if you will permit I shall be pleased to send something for the Autumn number. I will only say here, that the main difficulty our antagonists seem to labor under is the absolute absence of any correct idea of the immense amount of wealth production now latent and ready to come forth under free conditions. When once production keeps up with productive power capital will go a begging, and capitalists will be satisfied to find their savings undiminished at the period when they want to consume them. Our tool producing power has always run ahead of effective demand even in the restricted conditions we live under. When the bone needle was the tool used for sewing, men could produce more bone needles than were in demand, and when finally the bone needle had advanced to the stage of the sewing machine, we find sewing machine manufactories taking to cycle making, through the excess of supply over demand.

APIA, Samoa, June 12th, 1904.



Liberty is not a means to a higher political end. It is in itself the highest political end.—*Lord Acton.*