

Looking Back Bookward —By PHILLIP GRANT

ABOUT a year ago, *The Wonderful Wealth Machine* was published. And since its first appearance I have received many letters of criticism, almost all of them favorable. Needless to say, I am most grateful for that.

Many of the writers, however, after a paragraph of most encouraging praise reproached me for having presented Henry George's theory of interest instead of one more familiar to modern economists. Since most of such letters came from readers of, and contributors to, *The Henry George News* I should like to explain here why only George's theory could properly be included in my book.

First, although least important, George's interest theory is the only one that makes sense to me from a politico-economic standpoint. So far as I have been able to learn after struggling through more than a dozen of the most highly regarded economics textbooks used in our colleges today, Henry George seems to have been the ONLY writer who even attempted to define the nature of interest and to present a reasonable hypothesis of its cause. And, since his is the only one presented it becomes the best *ipso facto*, (as well as the worst.) With that in mind, added to the obvious fact that I couldn't very well write a book on political economy and conveniently omit all references to interest, I did my very best to make George's theory as understandable as I possibly could. Evidently, I was no more successful in clarifying his theory (which I consider both brilliant and lucid) than he was. Perhaps it was presumptuous for me to try.

Another reason for my having followed George so closely is the fact that of all interest theories I have read in textbooks and in the pages of *The Henry George News*, not a single one correlates neatly with the accepted theories of wages, rent and production. George's theory does correlate. In fact, as we learn from Chapter VII of Book III in *Progress and Poverty*, it was this very correlation between the laws of rent, wages and interest that convinced George that he had discovered something of tremendous importance to the science of political economy. With that thought in mind, it seems to me that for any of us to casually dismiss George's interest theory is to dismiss George entirely. For, as I discovered while doing the research necessary to the composition of my book, George contributed nothing whatsoever of an original nature to the science of political economy except a reasonable theory of interest. Every other thing contained in *Progress and Poverty* I easily traced to earlier authors.

Such are my reasons for having presented George's interest theory in preference to another, though I had learned during the past ten years that most Georgists did not accept George's concept of interest. Now I should like to explain why other theories were not acceptable to me.

Generally, economists who discuss interest at all fall into two general groups: 1) those who contend that any earnings of capital or of money is interest;* 2) those who present proof in one form of argument or another that it is just and proper that one man should collect interest from the use of his capital since that payment of interest is a kind of reward for his having saved part of his production.** I find

no fault with either of these views. Both, so far as I can see, are good sound economics. But George did not write as an economist. He didn't consider himself an economist. He never, in his writings, refers to himself as an economist. And, as I recall, his references to economics and economists invariably carried with them an adjective expressing contempt or disdain. An explanation of this attitude is found in his *Science of Political Economy*, Chapter VII, Book II. I would strongly urge everyone who would understand George's interest theory to read and re-read this chapter no matter how well he thinks he knows his George. In that chapter the reader will find that George's concept of economics and his concept of political economy were two entirely different things. If we think as George did what may be sound economics can be, and usually is, invalid political economy. To try to make this point clear to the modern reader, I include an entire chapter in *The Wonderful Wealth Machine* to explain the difference.

It is in this thought that the conflict arises between those who accept George's interest theory and those who reject it. As an economist one can safely say that the payment made or received for the use of goods or money is interest. Ask any money lender or any borrower and he will tell you that such payment is interest. For you and he will be talking about particular transactions; and economics concerns itself with profits of a particular person, a particular corporation, a particular nation. But in the world of political-economy, we cannot concern ourselves with the particular since political economy is an abstract science, as all sciences are. (See p. 49, *Progress and Poverty*.)

The Abstract and Particular

Now, if we think of the lending of wealth as an abstract idea we shall not think of William lending James his plane; but, rather, we shall think of every holder of surplus wealth in the world exchanging the use of it with every other holder of surplus wealth in the world. Taking that view, the abstract, view, it is impossible to even imagine the collection of a payment for the temporary use of an article of wealth without abruptly switching our thinking back to the world of particulars. If that is understood, it becomes apparent that those who lend money or goods in return for payment are unquestionably in the world of economics (specifically, in the financial branch of economics), and in that field the payment IS properly interest; while, in the abstract world of political economy, payment for the use of surplus wealth would simply be an exchange, directly or indirectly, of goods for goods or goods for services. In the latter sense, obviously, such exchange cannot be considered to be interest.

I am not sure that I have made by point here as lucidly as I had hoped; but I've done my best. I do not find it easy to explain to others the nature of the wide gulf that lies between thinking in the particular and thinking in the abstract. But if the reader will try to train himself to think only in the abstract, as George did, he will win rich rewards. The abstract world is the world of ideas and not of things, and as Plato tried to make clear, the idea of a thing is always more perfect than the thing of which it is the idea. Consequently,

once the reader thinks in terms of abstract ideas instead of a particular government, a particular tax, a particular group of Communists, a particular payment for the use of a particular plane he will find himself attuned to the full appreciation of the beauty, brilliance and logic contained in George's interest theory.

*For George's reasons for rejecting this concept, see Chapter IV, Book III, *Progress and Poverty*.
**For George's reasons for rejecting this theory, see all of page 176, *Progress and Poverty*.