is it generally the lowest which would secure the greatest demand at a reasonable return for each transaction. It generally hovers between the two, imposing on some the necessity to abstain from the use of the goods or services; on others to pay more than otherwise would be necessary; and on the general body of labourers loss of employment and a consequently increased competition.

§ 49. THE JUSTIFICATION OF INTEREST. —The condemnation of interest as an unjust exaction, first uttered by the trade-despising philosophers of Greece, who themselves were land and slave owners, was afterwards expressed with greater emphasis by the Fathers of the Church and scholastic writers. It has been revived in recent times by Socialist writers, and is nurtured by the indiscriminate use made of the term "interest," an error in which these writers especially indulge. To them every monopoly is capital, and every monopoly charge is interest, and both capital and interest, therefore, assume an infinitely greater importance in their eyes than they really possess. Not only is interest thus mixed up with monopoly

charges, but it is also confounded with the usurious charges which some money-lenders exact from the poor and ignorant in return for temporary loans. Such charges, however, in so far as they are not composed of insurance against exceptional risk and of wages for labour, are of the same nature as the action of an unscrupulous horse-dealer, who palms off a spavined horse for a high price on an inexperienced youth. They have no more connection with economic interest than such a transaction has with economic value.

The interest which economic science justifies consists solely of the reward which the owner of capital can demand for exchanging it against the legal right to wealth of equal value in the future. It presupposes that the labourer is free to make, and able to retain, such capital, if the interest demanded is higher than he chooses to pay, *i.e.* that there is no monopoly. Such conditions, it must be admitted, do not exist to-day.

As already shown, labourers are not free to make capital, because they are largely excluded from the natural opportunities from which alone capital can be made. Labour being thus made dependent, the wages of labour are reduced to the lowest point, and labourers cannot, therefore, own the capital which they make, or but little of it. To-day, therefore, the possession of capital is to a large extent monopolised, and interest may, therefore, in all cases include an undiscoverable monopoly charge.

The conditions which must be presupposed if a justification of interest is to be attempted, therefore, are, that land can no longer be monopolised; that the rent of land has become national property, and that all other monopolies and taxes on labour and labour products have been abolished.

Under these conditions, however, there will still be men who either possess no present wealth which they can offer in exchange for capital which they desire to utilise, or who can utilise more capital

than they possess at the time with advantage to themselves and to the community. Men who have just entered upon independent productive life; men who have been idle or unfortunate; men who have spent their wealth in enjoyment, in travel or in the acquisition of knowledge and experience; men who have misdirected their labour: all these might be without capital, or they might possess less capital than their labour can utilise, and many men of exceptional ability must be in the latter position. All these labourers, therefore, could benefit themselves and the community by immediately increasing their power to produce wealth, instead of producing for a time with less power.

This they can do by borrowing the capital they want instead of making it, either directly or indirectly by the production of wealth which can be exchanged for it. For, if they borrow the capital, their productive power is increased at once; if they make it, this increase of power is delayed till after the capital is produced. During this interval, therefore, the production of wealth is increased by borrowing capital instead of making it. As long as interest does not exceed this increase, it is, manifestly, no deduction from the legitimate wages of labour.

This increase of produce is due to the fact that other labour had produced capital which can be loaned, in advance of the requirements of those who want to use it. Why should any labourer produce such capital, say, a steam-pump? Labourers will make steam-pumps if they themselves want to use them, or if the pumps can be exchanged for other forms of wealth which they require. But if no more steam-pumps were made than are required in these directions, labourers who want to borrow steam-pumps could not obtain any. There must, therefore, be an inducement to cause a sufficiency of steam-pumps, *i.e.* capital in the secondary forms of wealth, to be made which can be loaned. The mere return of wealth of