

between Rent and Interest,' read by Professor Frank A. Fetter, of Cornell University. Professor Fetter said in part: 'Rent is an absolute sum of goods, yielded by material goods viewed in the wealth aspect, and maintained physically unimpaired; interest is a percentage of principle sum expressed in terms of money. This makes the two incomes not co-ordinate shares of objectively different agents, but successive steps in the analysis of value. All the usufructs of wealth are rent; interest is the calculation from under which future uses are discounted to arrive at capitalized valuations of durable agents. The resulting theory of values is, first stage, the value of immediately enjoyable goods, and the theory of marginal utility; second stage, the value of usufructs, and the theory of rent; third stage, the theory of capitalization.' "

Thus quite outside of the Kingdom of Common-Sense—in the scholastic anarchy of Economics—there is an untiring effort, under the mask of unintelligibility, to sell words for thoughts.

Professor Fetter's "Views," being evidently ex-cathedra, we may accept as authoritative. But whether they are in accord with "Progress and Poverty," or in accord with those who hold that interest can be abolished, I fear that only the devil or referees from Bedlam can decide.

CAMDEN, N. J.

BY BYRON HOLT.

While the whole of the Autumn number of the Single Tax Review was excellent, yet I was most interested in Mr. Graham's article, "Free Trade in Money" and in Mr. Faidy's, "Henry George's Theory of Interest". Not only have I never accepted Mr. George's views on the money and interest questions, but I think these views prevent the acceptance of the Single Tax by many people. Great as is my admiration for Henry George and his work, I admire truth and justice still more. Nor do I think that our great Prophet would order otherwise, if he were alive and omnipotent. He had infinite patience with those who honestly differed with him.

It is because I somehow have an abiding faith in the beneficence of the natural, or the scientific, order of things that I hold that the line of least resistance for reforms, and the one along which reformers can make most rapid progress, lies parallel with, and does not cross any of nature's truths, or laws. All past efforts to reform mankind and establish justice on earth have come to nought because they have run counter to nature's command to civilized men. "Take the natural rent of land, produced by the public, for public purposes!" When reforms are made to harmonize with this great fundamental truth they will accomplish great results; but when they harmonize with all truth and all science then, and only then, will absolute justice be possible. Hence it is probable that not only does every error of our logic delay the reform which we believe to be the most fundamental of all, but each error carried into practice would mar the result of our work.

Our Single Tax philosophy tells us that competition should be permitted and encouraged by opening to individual operation all industries and businesses except those connected with natural monopolies. The sources of production and the channels of transportation are natural monopolies and should be actually or virtually the property of the state, though private operations should be permitted to the greatest possible extent. But in the exchange of products or as to the particular product or commodity that shall be selected by traders in different markets as counters, or the medium of exchange, there is no natural monopoly and, therefore, no reason in our philosophy why the state should step in and attempt to dictate the kind of counters, or money, that shall be used by merchants or commercial interests. Neither should the Government insist upon

the right to make all counters used in trade, to fix the denominations, and to compel creditors to accept certain substances containing certain Government stamped inscriptions in payment for debts. Trade is not absolutely free and is not facilitated to the greatest possible extent when traders are not free to choose their own measures of capacity or of value. If goods can be more easily exchanged by means of beaver skins in one community, of wampum, or shells, in another, of tobacco or bricks or silver or gold, in still other communities, the people should be free to choose a medium of exchange and to make contracts payable in "any old thing". They will make mistakes at times, mistakes which common law and courts and juries will only partially correct, but, on the whole, they will not make greater mistakes than will a paternal Government, interfering and meddling with all sorts of businesses.

In short, not only should there be no legal tender, except as established by custom, but the money making and currency supplying businesses should be as free as is now the grocery, the drug or the insurance business. For convenience, the Government might coin, free of charge, such substances as a certain number of its citizens might desire to use. It might, also, decide what it would take in payment for taxes. Here, or near here, it should stop.

The interest question is still more mixed and muddled, at least in my mind. While I have long been convinced that Mr. George was mistaken as to the cause of interest, as well as to its strict legitimacy, at or near present rates, with the opportunities to production wide open, yet I have never found an entirely satisfactory theory of interest. The fault may, and probably does, lie with me, and it is on this account that I am glad to find Single Taxers threshing over this subject. In this way only can we hope to reach a common conclusion.

While the Flurschein-Berens-Faidy theory of the cause of interest neither agrees with the George theory nor with the more commonly accepted theory of the Austrian economists, yet it appears to me to be more reasonable than either of these theories; and this, too, in spite of the fact that it, apparently, confuses terms and definitions and fixes the rate of interest (on capital) by the rental value of land. My own unsettled opinion is that those who have little or no capital will always have so many uses for it that those who have a surplus will be able to obtain a small premium for its use, even after the opportunity to invest in land and obtain unearned increments no longer exists. The poor young man who thinks an education will be a good investment; the man who will receive a legacy in five or ten years; the man who has a new machine to exploit; and the enterprising man who understands improved methods of doing business, all these classes will be willing to discount the future in order to obtain the present use of capital. The question is, will their needs make a demand for capital greater than the supply, when the borrower agrees to nothing more than the safe keeping and return of the original capital?

It is generally supposed that it is the productivity of capital, that is, the profits obtained from its investment or use, that determines the rate of interest. It now appears probable that one of the principle factors in fixing the rate of interest is increasing unearned increment of land values, the control of which yields profits. And yet neither land nor land values are really wealth or capital. Here is certainly a queer state of affairs.

Accepting this new theory of interest and Prof. Bellangee's statement, also in the Autumn Single Tax Review, we find that—

- (1). With the Single Tax in operation there will be no interest;
- (2). With the Single Tax applied in spots, as at Fairhope, land values around these spots will decline.

Do not these two phenomena indicate the line of least resistance for us? Is it not to have our national and state Governments buy certain tracts of land, paying for them with short-period bonds, and then to apply Single Tax principles

to these tracts? This will depreciate the values of surrounding lands and enable the Government to obtain them at lower prices. The zone of depreciation will widen and deepen until the unpurchased land could be obtained for a song. By this time interest would have disappeared and the interest-bearing bonds could be replaced by non-interest bearing bonds. These could be paid so slowly that no great burden would rest upon future generations. We would in this way get the support of many over-conscientious people who accept the Single Tax theory but who stick on compensation, and we would soon be enjoying most of the benefits of the Single Tax.

Suppose, for instance, that the United States Government should invest \$25,000,000 in anthracite coal lands, buying about 10,000 acres, or one-tenth of all, and, fixing a royalty of 50 cents per ton, with a minimum royalty of \$100 per acre, should throw these mines open, in small tracts, to the public. What would happen? Coal is mined for less than \$1 a ton. Add 50 cents for royalty and 50 cents for transportation. (The Government buying a railroad, if it could not compel reasonable rates), and hard coal could be sold at \$2.50 or \$3. a ton in New York. What a drop there would be in the prices of anthracite lands and anthracite railroad stocks. Not only would the bottom fall out of the trust, but the next 10,000 acres could be purchased at knock-down prices. In this case the royalty from coal mines would fully reimburse the Government for its outlay. The object lesson to Pennsylvania and other states would result in numerous similar purchases and treatment of other lands. The days of industrial slavery would soon be gone. The dawn of all kinds of freedom would be at hand.

WASHINGTON, D. C.

BY RABBI J. L. STERN.\*

“All material existence is in space and time. Hence the production of wealth, which in all its modes, consists in the bringing about by human exertion of changes in the place or relation of material things so as to fit them for the satisfaction of human desires, involves both space and time.” (Henry George, *The Science of Political Economy*, Book III, Chapter V, § 3).

Space and time are, naturally, also involved in the distribution of wealth. The simplest case imaginable of the problem of the distribution of wealth is that where an individual labors absolutely unaided by society, by other individuals. In such a case the entire produce is the wages of the laborer. Such cases are, of course, rare; indeed, barely possible. A Robinson Crusoe stranded naked upon an uninhabited island without a nearby wreck from which to draw capital presents such a case.

But when men live, as they ordinarily do live, in society the efficiency of their exertion becomes enhanced and the produce of the labor of the individual worker will be larger than it would be without society. Part of this increase due to the proximity of society cannot be identified and goes to the laborer in enhanced wages. Other parts of the increase can be identified as due to particular causes and are then no longer included in wages.

These causes are superior space relations and superior time relations, either or both of which may aid the individual to produce more than he could

---

\* This article of the Rev. J. L. Stern, received since the editorial note on page 1 was written, seems further to reinforce the agreement to which the contributors to this symposium seem tending—namely, the acceptance of *the time element* both as the origin and justification of interest. If this theory be accepted, it carries with it an affirmative answer to the inquiry as to whether interest will persist under the Single Tax. But it does not prove that interest will be maintained at present rates. Under normal conditions and with the abolition of the usury laws (to which it is to be regretted that none of our contributors have made allusion) it seems almost certain that interest will continue to fall.—THE EDITOR.