

And as the interest rate directed capital into the hands of those who can make the best use of it, how could it be so directed without interest? There being enough borrowers to take all the loanable capital at the current rate, where would the capital come from to supply the many times greater demand at no interest?

Let any man who thinks interest inequitable consider what he would do in regard to building a house if he could not rent it for more than maintenance and depreciation in case his health or business interests forced him to change his residence. There would be no way to recover his investment except in dribbles from year to year till the house fell into ruins, and the better the house the longer it would take him to recover it. Does some one say that he should sell it? Who would buy a house if he could rent one on no-interest terms? There would be the same reason for not buying as for not building.

Henry George made the mistake of linking interest and wages, whereas interest and value are linked, and both are antithetical to wages. As value goes down (and interest with it) wages go up, and when wages touch infinity value and interest touch zero; that is, when all we want can be had without labor wages are infinite and value and interest have disappeared.

CHICAGO, Ill.

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In the Autumn number of *THE SINGLE TAX REVIEW* Mr. Joseph Faidy attempts to show that the theory of Interest as set forth in "Progress and Poverty" is fallacious. The honor of making the first announcement of the discovery being between Mr. Michael Flurschein, of Germany, and Mr. Lewis H. Berens, of England. The cause of Interest lying, as all these gentlemen agree, in the private ownership of land; and "That with the withdrawal of land from the market as a means of investment interest would be abolished."

In "Progress and Poverty" it seems to me that Book III, entitled "The Laws of Distribution," makes the matter of Interest so clear that I cannot understand how men who accept the rest of that book can reject Chapter 3—on Interest and the Cause of Interest; Chapter 4—on Spurious Capital and Profits, often mistaken for Interest, and Chapter 5—on the Law of Interest. These chapters are so accessible, their argument is so conclusive, their style so perfect, that I need only to cite them and then confine myself to the paper in discussion.

Mr. Faidy's notion of Interest is evidently indefinite, for he thinks of it as including only the returns that pass from the borrower to the lender of capital, besides confusing Interest with "Rent." Now "Wealth," being the joint product of the ultimate factors Land, Labor and Capital, is necessarily (by natural laws of the human mind) "distributed" among these factors; Interest being the share that falls to Capital whether borrowed or not borrowed. Were it possible to abolish Interest, Capital would obtain no share, and there would be small motive to accumulate it or even to produce it. And it seems to me that much of it would cease to have *exchange* value—would cease to be wealth.

"Interest," Mr. Faidy says, "exists because of the opportunity of investing capital in land, which, unlike anything else that may be bought and sold, possesses the capacity of yielding a revenue in perpetuity and *without labor*." Here his expression "investing capital in land" conveys a vague idea that the capital is absorbed, or disappears. But, if one having the capital of a mill building and machinery, let us say, chooses to "invest them in land," he would simply *exchange* them for land, by the usual method of first exchanging

them for money, and then exchanging the money for land. In new hands the mill would continue to exist, while the late mill owner (capital owner), replacing a land owner, would, merely as a land owner, become an unproductive, useless appropriator of Rent. Further—that land “Possesses the capacity of yielding a revenue in perpetuity, and *without labor*,” is a lamentable error in a Single Taxer. For land is the *passive* factor in production and yields nothing without application of labor. What it yields to the owner, merely as owner, is “Rent”—that part of the product of labor and capital expended upon the land, that competition for its use gives to the owner of the land. He writes, “Remove land from the market as a means of *investment* and what other employment of capital would yield Interest.” This again shows how complete is Mr. Faidy’s entanglement. An utter confusion of capital and land—of Interest and Rent. The term “Investment” probably helping to perplex him. If one invests in land—exchanges money, other capital, or wealth in some shape, for land, he does not thereafter employ or use capital, he owns land. And his revenue would not be Interest, it would be Rent. Such controversial transmutations suggest to me the old time diablerie of juggler Blitz—suggest the mutability of things at the touch of his rod.

Under the Single Tax “Production,” he says, “would be greatly increased, and capital instead of commanding a bonus would seek employment on condition of mere safe-keeping and maintenance.” This is to say that the owners of the capital of a manufactory, of a grove of forest trees, of an orchard, or of merchandise in transit from one quarter of the world to another, would have to be content with returns sufficient merely for the maintenance of these capitals—producing them no revenue whatever. The whole product being divided between Rent going to the public and Wages going to the workers. So that unless the owners of these capitals also themselves, in some capacity, worked, they would have no income at all.

Again he writes, “The capitalist in a new country with opportunities for *profit* through *land speculation* will not lend his capital at low interest.” Now the land *speculator* is no more productive than a gambler and his “Profits” arise not from his production of wealth, but from his legal power to appropriate an increasing amount of the wealth produced on his land by others. The capitalist being tempted to exchange his capital for land of course ceases to be a capitalist and ceases to be an illustration of Interest. After he has made the exchange there is, in the community, no more or less land and no more or less capital.

But he writes, “The mere theory of Interest * * * pales into insignificance compared to the practical possibilities it opens up.” For “If it is a good investment for individuals to buy land, why wouldn’t it be for the nation?” To this a Single Taxer would reply—Because the individual finding in vogue a system that he individually cannot change *must* accommodate himself to it. Under the system some *individuals* will reap the advantage and he harms no one by becoming one of the individuals. But, when the public conscience is sufficiently awakened to make land nationalization possible there must necessarily be a majority favorable to it—a majority possessing a power that the individual does not—the power to abolish it justly by means of the “Single Tax.” Then too the buying out of the land owners would not only be an acknowledgment of the justice of the present system, but, in the main, such purchase would merely change the form of Rent which would, at least at its present limits, continue to flow into private pockets. “But now,” writes Faidy, “if the theory of Interest which is here advanced is sound, then the objection to the feasibility of nationalization by purchase vanishes entirely.” For when there is no longer an opportunity to “Invest capital in land,” the

government bonds given in exchange for the land will cease to bear "Interest," and the late landlords—

Paltered with purchase in a double sense,
That kept the word of promise to their ears,
But broke it to their hopes—

shall be left only to an inheritance of melancholy reflections.

This last proposition surely entitles Mr. Faidy to the favorable consideration of college regents as a professor of ethics.

The notion that Interest is an evil and should be abolished—an ancient and even now a very prevalent notion—arises it seems to me from a failure to clearly define Interest. In the Bible, for instance, the "Usury" condemned is not the share that in "distribution" goes to capital. The references are to poverty, and the injunction is to sympathy. The wealth—money or what not—loaned in cases of distress is not to be expected back *with usury*. "If thou lend money to any of my people that is poor" (Ex. xxii., 25). "And if thy brother be waxen poor and fallen in decay with thee; then thou shalt relieve him" (Lev. xxv., 35)—usury is not to be taken. But in such cases "Capital" is not engaged. The wealth loaned would not be used in the production of more wealth, it would be used to furnish the borrower with food and shelter—consumed unproductively in keeping the borrower alive. So far as *such* wealth is concerned the borrower would not be in a position to return it even without a bonus to the lender.

Under a private owning land system wages and interest both tend to a minimum, and capital, not readily accumulated by the workers, tends to accumulate in the hands of monopolists. So that borrowing wealth to be used as capital, or to be used in consumption, becomes epidemic. A universal indebtedness comes to prevail that is not, I think, a sign of growing confidence among men, but is a sign of increasing tension and struggle for existence. Most people owe their grocers, butchers, milk men, clothiers, for the supplies of a month or more. And they owe for Rent. If engaged in mercantile business, they owe other dealers or manufacturers, and they usually owe the banks. Then they very generally borrow—that is rent—their homes and places of business, and these even when "Owned" are often but partly owned, for they are mortgaged. Every corporation is in debt. The State is in debt. Even churches are in debt, and temples erected to the glory of God are sometimes seized and sold by a sheriff. Under such conditions, to men who do not realize the vast evils that spring from the private appropriation of "Rent," it is not surprising that Interest should seem to lie at the base of social evils. And so it has been through all ages of "Civilization." The writers, figuring out the possible accumulations of Interest upon a single penny, denounce "Usury" as robbery, and, like Dante, would place usurers in hell among those who do violence to God and man.

But faith brushes aside difficulties. And a Pauline faith—the substance of things hoped for, the evidence of things not seen—so infuses Mr. Faidy that he has little doubt of the originality of his discovery, or of its importance. Thus, at the conclusion of his article, he quite naively remarks, "That the new theory is sound and the proposition to pay for the land a practical one the writer has no doubt, for he reached these conclusions after working on the problem a long time and without at that time having heard of Mr. Flurschheim or of Mr. Berens' new book."

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In this morning's *Ledger*, Dec. 31, I notice an Associated Press dispatch from New Orleans that seems opportune. It reads, "The American Economic Association, Professor Seligman presiding, listened to a paper 'On the Relations