

an actual case, the purchase of my home. I shall then make some suppositions. To prevent anyone from building too close to the south of my house, I bought an extra lot. I paid exactly \$1,000 for it. At that time the taxes on the lot were about \$20 a year. On a five per cent basis the full economic rent of that lot was \$70 a year, of which \$50 went to the landowner and \$20 to the community. Let us now suppose that other things remain the same, but that the tax on the land is changed, let us say by changing the rates on improvements, etc. The following table gives the value of the lot on a five per cent basis for different rates of taxation.

Tax	Amount of Rent to Landowner	Value of Land
\$70.00	\$70.00	\$1,400
20.00	50.00	1,000
40.00	30.00	600
50.00	20.00	400
60.00	10.00	200
65.00	5.00	100
67.50	2.50	50
70.00	0	0

Even under the full Single Tax I personally believe the selling value of land will always be somewhat greater than a year's tax. In that case, if the tax is unpaid, forfeiture to the State pays the tax.

I come squarely to the position that the Single Tax does not of necessity involve taking 100 per cent of economic rent in taxation. I have now given a second quotation from "Progress and Poverty" to show that Henry George recognized that this was at least a possibility. It is certainly quite likely to be the result, if progress toward the Single Tax is, as I hope, by way of evolution.

CHICAGO, ILL. HIRAM B. LOOMIS.

#### MR. LUXTON REPLIES TO MR. NIGHTINGALE

EDITOR LAND AND FREEDOM:

Mr. C. H. Nightingale of New Zealand seems to be in doubt as to the meaning of the term interest. This confusion in his mind is revealed by the fact that he agrees most decidedly with my defense of interest as a return for wealth placed at the disposal of the borrower, and then suspects that I do not know that a lender may receive a return without receiving any interest. His demonstration suggests that we think in terms of wealth instead of money. All true economists, and that includes Single Taxers who have the necessary qualifications, think of money as a tool of industry, therefore they do not think of interest as money except in its reference to the amount of wealth it represents.

The demonstration of the twenty suits is no demonstration at all, and therefore worthless. Have we Single Taxers so little imagination that we must pattern our illustrations after the puerile arithmetical problems offered to little people not so long ago? At least the old time problems had one object, to teach rapid calculation work with numbers, and as such they succeeded. They could lay no claim to teaching anything else. Would a man make twenty suits for himself except to wear or to sell? And if he needed but one suit a year, to make nineteen extra would be idiotic unless he were a manufacturer of men's clothing. In that case would he be asinine enough to permit another to borrow nineteen suits with no other payment but a new suit for every year for nineteen years? The idea is preposterous and proves nothing.

But Mr. Nightingale has put his finger upon a sore spot when he questions the right of any man, his heirs, and assigns, to "sit down" and draw interest on his capital, ad infinitum. Let us look this question squarely in the face, because it is what lurks beneath the cranium of every Socialist when he demands that capital be taken over by the State for the workers and when he says that exploitation will still be possible when the State collects the economic rent of land. Let us approach this question by first defining interest.

According to nearly all economists interest is the share of the product that goes to capital for its aid to labor in the production of wealth. Any equitable distribution computation of the share of the product directly due to capital is impossible to make in general, though it might be possible in a few isolated cases. Henry George recognized this when he said that it would be foolish to say that the weapon-maker of the tribe should receive as his share all of the buffaloes killed by the use of his bows and arrows in excess of what the hunters could kill with stones or knives. He then showed that a man would expect the same net return for the use of his wealth that he would receive through the natural increase of the same amount of wealth in the form of herds or flocks, or bees, or of aging wine. This is a just way of computing interest at the present time, and it is simple enough to easily understand.

We must not overlook certain facts, however, the more so because the method of arriving at true interest in accordance with George's method is merely expedient. A man in a primitive state becomes expert in catching fish with his hands. The fish are his wages. If he catches six fish a day his wages are six fish. If he uses a canoe and a net and catches sixty fish, are fifty-four fish the interest that should go to the canoe and the net, or to the owner of these forms of capital? By no means! With bare hands the fisherman's wages are six fish because that is all his labor can net him. But his skill is limited to hands and feet in that case. With the use of a canoe and net he is forced to acquire a new technique, a new skill, a new means of utilizing his agility of muscle and quickness of eye to greater advantage. This new technique manifests itself in a greater catch of fish. His exertions are perhaps no greater, perhaps less, yet his production is greater many fold than in the cruder use of muscle and eye. This new technique is developed as an educational attribute of labor, and because of it labor is now more productive. If a co-efficient could be easily found for the aid rendered by the canoe and net we could compute his exact wages. Certain it is that the canoe or the net without the application of his skill and labor could produce nothing, as it is also certain that without canoe or net he could produce but six fish for a day's labor.

This is true of any tool or machine, or of any aid rendered by capital in any form. Without it labor must exert itself in crude and wasteful methods, and without labor capital can produce nothing, not even if it consists of those forms of wealth susceptible of a natural increase. Herds must be watched and guarded against beasts of prey and disease, bees must be cared for, wine must first be pressed out and then bottled, and finally labor must be exerted before the natural increase can be called wealth. It is also true that capital enables labor to exert itself in more productive ways. When the capital belongs to the laborer the laborer gets the entire return in a primitive state where no rent exists. If it is the property of another it represents labor spent or wealth given in exchange. If a man can borrow it without making a return for its use he will not bother to make a tool or weapon or other form of capital for himself. By taking advantage of the exertion of the labor of another he is able to produce in excess of the product of his labor unassisted by capital, but since part of this excess is due to the application of his skill in more productive measure the question of what share the capital had in his product would be hard to determine, certainly impossible for a primitive man. But the important thing is that he would be benefiting to that extent so that he would be getting nothing. The owner of the capital would be getting nothing for something, and here would be an inequitable distribution of wealth. He would soon stop lending his capital and this would lead to under-production because primitive, crude, and wasteful methods would have to be resorted to. To assure a supply of capital to enable labor to exert itself most productively a return must be made to encourage the owner of capital to keep lending it. In a primitive state this capital should be tools or weapons or canoes. The return would be based upon supply and demand, since no rent entered into the problem. If the boat maker demanded too great a



return it might pay the fisherman to make his own canoe. Thus payment or interest would be made to suit both borrower and lender. There would be no foolish arrangement such as a promise to pay so much in fish and to return a canoe as good as the one borrowed, but the payment would be in the product of the labor or its equivalent. Primitive men, being more wise than civilized men, instead of promising to return a good canoe in place of the old one after a season or two, the savage would set to work and make a canoe in the first place, and the canoe maker would have too much respect for the intelligence of his borrower to exact such a promise. Naturally such capital would wear out. There would be no such thing as collecting interest ad infinitum. Mankind would eat in the sweat of its brow.

With monopoly of natural resources, such as private ownership of land, and the advent of economic rent because of man's increase and development, the attendant inequitable distribution of wealth has placed large aggregations of capital in a few hands. In many cases this means the power to claim a large share of the produced wealth by reason of the ownership of a necessary factor in production, land, and this without the exertion of any productive labor by the owner. This leads to land speculation, the withholding of land from production. Capital then demands a return greater than it can get from land rent and so we have a false interest, a monopoly or holdup charge. Such interest is not predicated upon the assistance it gives to labor, nor upon the natural increase to wealth in the forms of flocks and herds. It follows the law of supply and demand all right, rising and falling as wages rise and fall, falling as rent rises, and rising as rent falls. Such interest contains a payment for risk. Such interest we are suffering now. Such interest is in Mr. Nightingale's mind when he speaks of payment ad infinitum.

If we stick to the definition of interest that all true Single Taxers should believe in, that interest is the return for the use of capital used in production, the share of capital in the wealth produced, we shall see that the restoring or renewing of capital does not enter into the question at all. Capital must follow the inevitable law of all nature and disintegrate. I know not why the idea of restoration of capital has crept into the idea of interest. It is illogical. Labor is the father of capital. As the individual who exerts the labor must disintegrate according to the law of life, being less and less able to exert labor as time progresses, until labor ceases with life, so must capital in the form of tools, buildings, clothing, also disintegrate, and be continually replaced by fresh applications of labor and capital. Get away from the fallacious doctrine that interest is to restore capital used up. Stick to the definition as given by Henry George.

Henry George has set us an example to follow in determining interest, the natural increase attendant upon wealth in forms capable of natural increase. But it is at best only an expedient. The labor is also a factor in what we assume to be a natural increase. A natural increase in herds unattended would be outweighed by the losses. Over a period of years herds and flocks would deteriorate, for our domestic herds and flocks, yes, our fruits and flowers, are the results of labor, mental and physical, in which nature's methods have been anticipated, the stock weakened physically for environmental struggles, and nature, ever jealous of trespassers in her domain, is continually causing a reversion to type. This natural increase is only an expedient in determining true interest but we have not progressed mathematically to the point where we can cast it aside. It is the only true way at present to judge interest, that is true interest.

That being the case let us now consider Mr. Nightingale's complaint. For example; a railroad company issues bonds bearing interest at four per cent to purchase equipment such as rolling stock and rails. Mr. Banker and Broker buys thousand dollar bonds for his children. The bonds mature in thirty years. In five years the rails are worn out, in ten years the locomotive and coaches discarded for more modern ones, but the bonds still go on paying interest, even long after the rails are rust and the cars junk. At the end of thirty years the bonds are redeemed and more bonds bought with the money.

The same thing goes on, the heirs and assignees collecting ad infinitum long after the original capital has disintegrated.

We can see very easily that what appears to be interest here is not interest at all, not true interest. It is a collection of tribute for no service at all after the disintegration of the rails and rolling stock. It is a cancer, sucking the life blood from production. Interest ceased when capital disappeared. Converting the capital into money did not alter it. Under the regulation of the natural increase due to nature working through wealth in such forms as flocks, etc., we would have the owner of the capital, as evidenced by the bonds, paying for all repairs and replacements of the capital in rails and cars. Is this done? It is not. Until it is done we can not blame interest, true interest. And when it is done there will be nothing to blame interest for.

Mr. Nightingale is deserving of a vote of thanks for bringing up this question. Wrong though he may be, it is an honest mistake, a mistake due to our acceptance of the use of terms where they do not apply. If the owner of capital does not pay for the replacement or restoration of the capital, as I suggested, since in nature the form of wealth does this, but locomotives, cars, and rails can not reproduce, then the capital should be reappraised each year in conformance with its depreciation. This would wipe out the capital in a few years, as should indeed be done. It is done where a man owns his own capital in the form of carpenter's tools or a motor truck. Big business should be made to conform to the standards of justice found in every small cobbler's shop or printery.

The possibilities of this are enormous. We won't go to war to collect unpaid debts, and we won't pay for wars contracted by previous generations. A large idle class will be eliminated for the good of mankind. The payment of tribute on monopoly will stop, and the so-called payment of interest ad infinitum will be ended; that is, provided we adopt the Single Tax also. Otherwise we shall simply pay higher rents to the landowners ad infinitum.

Brooklyn, N. Y.

JOHN LUXTON.

## ACTIVITY IN DENVER

EDITOR LAND AND FREEDOM:

Your exposure of the puerility and stupidity of so-called statesmen and sham pretenders to economics is delightful.

I am glad to report that our local Georgists are becoming much more active. They meet every two weeks and are steadily making converts. Letters to the newspapers appear more frequently and there seems to be a more favorable attitude on the part of the editors. Despite the activity and the well directed opposition on the part of our friends in the legislature the Governor succeeded in having the sales tax put over under the guise of an emergency measure for relief. The unfavorable reaction against it is very strong and we are availing ourselves of the opportunity thus created to do some excellent propaganda work. People that never heard of Henry George before are learning about him now. The most encouraging sign is the number of young folks who are becoming interested. Our public forum meetings every Sunday afternoon are well attended.

In the agitation over the sales tax the attempt to couple the farmer and the realtor was especially noticeable. This gave us a good chance to point out that their relation to land has nothing in common. The farmer uses land to raise crops. To him high priced land is a handicap, just as is high priced materials and tools of any kind. Nor is the legitimate land dealer interested in high priced land. He can, indeed, find more purchasers and more tenants with cheap than with dear land.

It is the speculator alone who wants the price of land to rise. His profit comes from buying land at a low price and selling at a high price. The land speculator, and he alone, is interested in seeing the price of land advance.

The shoemaker does not want high priced leather, nor the baker, high priced flour. Why, then, should the farmer or the city land