

page 82, or appearing to say, that interest exists only in cases in which the capital is borrowed; and he contributes further to confusion and uncertainty by injecting into the discussion the matter of absolute and relative returns. Here he overlooks the fact that the interest question is merely a phase of the problem of ownership; a man's title to his product is in no way affected by the fact that his product has become capital. This is the assumption that led Karl Marx so far astray.

This confusion is compounded by the letters in these issues in which the writers comment on McNally's article. Here, too, some of these take it for granted that interest exists only in cases of borrowed capital. The letter of Henry P. Sage is faulty in this respect. C. H. Kendal's letter, excellent in some respects, is open to criticism; for he says on page 96 that "under equitable conditions" interest is inevitable. One might as well say that, in a just world, the law of gravity will always be operative. What has equity to do with the fact which Kendal himself states so well; namely, that wealth is produced by the application of labor to land, or by labor assisted by the tool capital. The question whether the claim of the owner of the capital is recognized, and the problem of evaluating that claim do raise a question in equity; but that is another matter, and it lies outside the science of economics. The interest is there, regardless of equities; and regardless of the question whether the operator is making money, or being useful to the community.

In his letter, page 133, Kendal makes a similar mistake in limiting labor to human effort directed to production. No physicist would think of limiting the term "force" to manifestations of nature having certain preconceived effects. Force is force, anywhere, always, under all conditions, regardless of purpose or effect. So labor is labor, regardless of circumstances. There are no "ifs" in science; and no contingencies.

Stockton, California.

L. D. BECKWITH.

MR. KENDAL REPLIES

EDITOR LAND AND FREEDOM:

I have read Mr. Beckwith's friendly criticism in the preceding letter.

In the next to the last paragraph he apparently is in agreement but feels that the phrase "under Equitable Conditions" is superfluous and that one might as well say "in a just world the law of gravity will always be operative" . . . Also he says the question of equity lies outside the science of economics. This is another exemplification of his well known view that the moral law has nothing to do with economics. In Blackstone's Commentaries, Volume I, opening chapter, one may note the basic definition of *law* is *natural law* as distinguished from human enactments, statutes and the succession of precedents, common law. Blackstone goes on to state that the aim of the human law is to coincide with the natural law and any violation thereof is in offence to both the human and the divine. Is the law of equity a natural law or does it come in the category of the human?

In his last paragraph Mr. Beckwith feels I have made a mistake "in limiting labor to human effort *directed to production*." Is not any other human effort outside the field of economics? "Labor is labor regardless of circumstances," but labor to walk, to run, to play, to make mud pies has nothing to do with economics. In economics wealth must be *produced* and that wealth must have exchangeability.

In an earlier paragraph Mr. Beckwith refers to Mr. McNally in his use of the word "obtaining" which he approves instead of the word "producing." There are many unproductive ways of *obtaining* wealth such as thievery, gift and inheritance, but it seems to me these should not be included in the Science of Economics.

In another paragraph he mentions ". . . a certain dollar is interest

. . . " I am sure this is only a slip on his part as I cannot believe he can consider a dollar as either interest, capital or wealth. However his meaning is clear but not altogether scientific.

C. H. KENDAL.

DOES CANONIZATION AWAIT HIM?

EDITOR LAND AND FREEDOM:

Bernard Shaw in the preface to his "Saint Joan," wrote:

"Many innovating saints, notably Francis and Clare, have been in conflict with the Church during their lives, and have thus raised the question whether they were heretics or saints. Francis might have gone to the stake had he lived longer. It is therefore by no means impossible for a person to be executed as a heretic, and on further consideration canonized as a saint." Vol. XVII, Collected Works of Bernard Shaw, p. 32.

Father Edward McGlynn was excommunicated in 1887 for refusing to obey the order of his superior to refrain from preaching the philosophy of Henry George. A few years later, after an exhaustive investigation of the writings of Henry George, Father McGlynn was reinstated and received a new pastorate. It took five hundred years for Joan to rise from burning at the stake for heresy and blasphemy to beatification among the saints. The philosophy of Henry George is being increasingly accepted; so it is not too much to hope that it will take much less than five hundred years for Father McGlynn to be numbered among the saints.

I enjoyed the personal friendship of Father McGlynn from 1886 until his death. He was not only a sincere, zealous and eloquent follower of the "Prophet of San Francisco" but a man of a sweet and sunny disposition. I therefore hail the publication of his life by Stephen Bell as the vindication of a great man.

Essex Fells, N. J.

FREDERIC CYRUS LEUBUSCHER.

MR. McNALLY ANSWERS HIS CRITICS

EDITOR LAND AND FREEDOM:

I note some comments in the July-August issue on my article ("What Is Interest?") which I think demand a reply.

D. L. Thompson states that if I am right in my opinion that what is termed "interest" is merely "compensation for risk," interest rates should be higher, as he believes "the element of risk has steadily increased since the last industrial breakdown." I am afraid, however, that such a belief is not substantiated either by fact or in theory. Anyone who has made a study of business cycles knows that the element of risk is greatest immediately prior to an industrial crisis, when speculation has driven values upward to the breaking point, and is lowest during the period between crises. It is the wise man who invests during this interim. Your readers will doubtless recall the fact that commercial interest rates just prior to the 1929 debacle were at a record height and gradually shaded off as a new equilibrium was being established. A few years ago at the low point of the depression, after the terrific liquidation of 1932 (when business failures were more numerous than in any other year), interest rates were at the lowest level—one-eighth per cent on call loans. Since that time they have been slowly hardening, corresponding with the increase in the hazards of doing business—not, as Mr. Thompson contends, since the "last industrial breakdown," but since the low point of the depression. They will continue to rise, for the risk element increases as we creep nearer to the next crisis. The great activity recently in the building industry is a sure indication that men with capital regard conditions now to be more secure than they were just prior to or immediately after 1929.

As for Mr. Thompson's claim that the element of time accounts for "interest," I would like to refer him again to my article, for he has

made no attempt to meet the arguments that I set up against this particular idea. And as his error appears to be due to his having confused use value with economic value, I suggest also that he read the very enlightening chapters on value in Henry George's "The Science of Political Economy."

Turning now to the letter written by Henry P. Sage, I find him claiming that the cause of "interest" is the service rendered by the lender to the borrower which enables the latter to "overcome the disutility of time" and is not the increased power that labor receives from capital. But although he has made a valiant effort to keep clear of the Productivity theory, he cannot help falling into it when he tries to measure this disutility or inconvenience. He offers the illustration of a man who, rather than spend a year accumulating capital, prefers to borrow \$500 so he can work his farm immediately. At the end of the year, he is able not only to pay back the principal with "interest" but to have for himself stock and tools and several hundred dollars in cash. Now, Mr. Sage wants us to believe that when this farmer applies capital to land, he can earn more than he could at some other occupation without capital. But this is rather doubtful economics, for such a condition is impossible. If a man could increase his income merely by using capital, a flock of competitors would be attracted to his occupation who would drive his income down to what it was working without capital. And if he borrowed capital in order to obtain an advantage over working without capital and contracted to pay for that advantage, he would soon find himself bankrupt. Practical experience supports this statement, for 90 per cent of those who enter business for themselves eventually fail, largely because of incompetence. Capital can give nothing to labor that labor does not already have in itself. A savage, for instance, would be helpless with a machine in his hands. A man does not use capital to increase his efficiency, but rather he is first efficient and that is why he uses capital. In other words, using capital is the conventional mode of producing wealth, and the man in the illustration is *compelled* by competition to employ capital on this type of farm if he is to remain in the market. This may be difficult to perceive, for we are so accustomed to the schoolboy formula that "capital aids labor to produce wealth." Mr. Sage's belief that labor gains from the use of capital is based on the assumption that, as an alternative to borrowing, one must engage in an inferior occupation in order to accumulate capital, as though capital had the power to determine one's ability or the productiveness of any occupation. Such a notion is socialistic and contrary to fact. This assumption is the pitfall of all productivity theorists. It is labor only that determines the character of industry. Capital merely represents the method of labor or the direction that labor takes in production.

When we come to understand the true nature of capital, we shall see that one borrows instead of accumulating capital oneself, not to gain an advantage over working without capital, but because of the convenience of having it at a particular time. All that can be afforded in return for this convenience is compensation for risk, for one's income as a laborer, other things being equal, is determined entirely by one's own efforts.

Brooklyn, N. Y.

RAYMOND V. McNALLY.

THINKS HENRY GEORGE CLEAR ENOUGH

EDITOR LAND AND FREEDOM:

I note with interest the many viewpoints expressed in your columns recently on the subject of "Interest." It seems that Henry George made his position quite clear in regards the origin and justification of interest through the exchangeability of wealth, the law of supply and demand, the active power of nature to increase and the pooling of all these advantages, together with the fact that wealth is capital only when used or designed to be used in the production of wealth, and that demand or lack of it determines the quantity of capital upon which interest is to be paid. Insurance against risk is not interest, although it may be added to the rate of interest depending

upon the nature of the investment, and only serves to equalize the excess gains and losses.

Philadelphia, Pa.

JULIAN P. HICKOK.

PRAISES THE DETROIT STATEMENT OF PRINCIPLES

EDITOR LAND AND FREEDOM:

I have a copy before me of the programme of the recent Henry George Congress at Detroit on the back page of which appears what I think is one of the most effective statements of the principles for which the George movement stands that I have seen. Whoever prepared the statement is to be complimented upon its simplicity, its clarity and appeal.

I have long felt that such shouted statements as "*The land for the people*" and the emphasis that has been so loudly placed upon the subject of "*land*" have been almost invariably misunderstood and have definitely alienated sympathy and support for our cause on the part of many even of the more intelligent and better educated people of the whole world, a sympathy and support which would be enlisted from many were the evils of our present order, so definitely seated, as they are, in confiscation of private property for public use, set out as they have been in the statement on the back of the recent George Congress programme.

There is not the particular sort of glaring claim in the Congress statement which, in the eyes of those who do not know anything of the principles of the George movement, has about the same effect as the waving of a red flag in the face of a bull.

The paragraph dealing with *ground rent* as a social product has no such effect. It rather invites study on the part of intelligent people whose sympathy and support are so much needed. I doubt very much if our movement will ever be understood or even appreciated by the masses who, I think, must be intelligently led rather than permitted to direct.

And so I believe that if George's teachings are to arrest the present trend everywhere towards anarchy, his theories must be presented to the thinking and intelligent people of the world in "fetching" terms,—not in some of the antagonizing and inciting terms so commonly used by the properly zealous adherents of the cause.

I believe that we, of the George movement, are all agreed that it is the universally ruling principle of confiscation, more than all other causes combined, which is rapidly pushing the world into sheer *chaos*.

It is nothing less than appalling that world leaders everywhere offer nothing better than destructive confiscation as the ruling principle of our social and economic order. Their suggested remedies and the remedies urged by contending groups and political parties are, in truth, little less than senseless economic piffle, bound to run their course to their own exhaustion and a world-wide social tragedy.

Sanity in presentation of the George principles must supersede a good deal of the antagonizing and alienating presentation they have heretofore suffered, if the cause is to make real headway.

Lockport, N. Y.

C. A. LINGHAM.

THE CALIFORNIA CAMPAIGN

EDITOR LAND AND FREEDOM:

When last reporting to you I described the new form of the taxation amendment we had prepared for submission to the voters of this State and spoke of its powerful endorsement by the State Federation of Labor. Shortly thereafter the amendment was submitted to the State Attorney-General for the preparation by him of a summary to be placed at the top of the initiative petitions and at the top of all pages carrying signatures. This summary was prepared in a manner satisfactory to us, and we turned our attention to the matter of the circulation of the petitions, requiring about 187,000 signatures. For the procurement of these signatures satisfactory arrangements were made, and up to this time nearly or quite one-half of the necessary names have been secured—the work of but little over two weeks'