

penner, James. If he saves or can borrow enough capital to replace his plane by a steam planing mill the excess of his produce from it over his produce while working with the hand plane is the earning of his capital, is his interest. But the lender cannot get all that excess. For the reward of capital in use being large, a surplus of capital is always produced. Capital seeking borrowers is thus in a position similar to that of labor seeking employment where land is monopolized and, therefore, opportunities to labor restricted. The produce which is the natural wages of labor plus natural rent* is not less there than where land is free, nevertheless the wages actually obtainable by labor under those circumstances tend to a minimum because land obtains in monopoly rent a part—often the greater part—of what ought properly to be wages. Thus capital seeking employment where opportunities for the employment of capital are restricted. The advantage of the use under such circumstances of capital is not less by reason of the fact that much capital is unemployed, but the lender does not obtain this entire advantage, and in certain cases the user also will not obtain the full benefit of the advantage of the use of capital, though he will in other cases.

The circumstances of more capital seeking employment than there are open opportunities for its employment is due in civilized society mainly to two causes. The first one of these is, of course, the same as that which produces an analogous situation for labor, namely, land monopoly. Capital being employed by labor, its employment fails concurrently with that of labor. And as in this case part of the natural wages are absorbed by monopoly rent, so also is part of interest, both as concerns the lender and the user, absorbed by monopoly rent.

The second cause involves circumstances the reverse of those of the first. Under free land, that is, where land monopoly is absolutely abolished, under the Single Tax system, the general and equitable distribution of wealth means a general distribution of capital. It is possible—nay probable in the highest degree—that in such a world labor, the user of capital, will nearly always possess enough and often more capital than is needed. In this case the user of capital will get the full benefit of its use. But the returns to the lender will tend to a minimum; because there will be very few borrowers, and very many that have surplus capital to lend.

I present these considerations on interest to students of the science of political economy with some diffidence. Not that I doubt their correctness, but because it was necessary in making them to subject the work of the creator of the science to some criticism. But it is apparent that Henry George himself had some doubts whether what he said on interest was the final word on the subject; his expression: "And *it seems to me* that it is this which is the cause of interest," (Progress and Poverty, Book III, Chapter III, § 17) has a note of uncertainty in it. It was this note, so unusual in his writings, that led me long ago to analyze the chapters in question, and it was from his beautiful chapters on Space and Time in "The Science of Political Economy" that I was first led to what I feel is the true explanation of the cause of interest.

CUMBERLAND, MD.

BY DR. S. SOLIS COHEN.

I notice in the Autumn number of the REVIEW, just at hand, an article on interest, by Faidy, which ascribes to a couple of modern writers the discovery that interest is based upon ground rent. If you will look up Michaelis' "On

* By natural rent I mean economic rent under absolutely free circumstances such as will obtain under the Single Tax system.

the Laws of Moses,"—I do not possess the work and, therefore, cannot give you the exact reference; Michaelis was a Protestant theologian of Germany, and wrote in the eighteenth century or early in the nineteenth, I am not sure which, but I think the eighteenth—and consult his discussion of the prohibition against taking interest from fellow-citizens (Israelite) while it was permitted to take interest from an alien, you will see the doctrine fully stated. Michaelis says that the alien might invest the borrowed money in land in his own country, thus deriving interest in the form of rent; and that obviously the result of lending to aliens without interest would be to drain the country of its gold and silver. The command to take interest from the alien, therefore, was simply a measure of self-protection against countries in which the Hebrew land laws did not apply.

Michaelis's explanation may lack historical accuracy in that it is quite probable that the Hebrew land laws as set down in the Pentateuch never were (historically) applied. The economic conditions denounced by the prophets, as Wallis so well shows in his "Examination of Human Society from the Standpoint of Evolution," point directly to the existence of land monopoly. But at all events the philosophy of the explanation, and of the association of the two laws—that against land monopoly and that against interest—seems sound. So far as I know Michaelis was the first to point out the connection; but I came across the reference incidentally and not as the result of a search, and, therefore, cannot say that the matter was not earlier commented on. It might be worth your while to pass the information on to somebody who will have the time to work up the subject. It might even make an interesting magazine article—the object of which would not be suspected by the learned editor of Harper's, or Century, or Frank Leslie.

Wallis, by the by, without directly stating it, and perhaps, without appreciating it (as he makes no reference to the jubilee and its associated legislation) indicates one reason for the differing rules concerning fields and the land in walled cities. I had always thought that the difference was related with the treatment of houses as labor products, but Wallis asserts, and I think proves, that the bulk of the inhabitants of the trading cities afterwards incorporated into the kingdom of Israel were the original Canaanites, while the Israelites themselves became the rural, agricultural and herding population. The exception of city property from the general law would therefore—in my view—be a compromise between the Israelites and the Canaanites, and would in large measure explain the economic break-down of the kingdom of Israel and Judah.

PHILADELPHIA, Pa.



WHAT DOES A MAN "COST" THE COMMUNITY? BOOKKEEPING EXTRAORDINARY.

Communication from Mr. Edward Atkinson and Replies by Ernest H. Crosby and Louis F. Post.

To the Editor of The Single Tax Review:

In the "Single Tax Review" for January, 1904, Mr. Ernest Crosby contests the theory that each man, rich or poor, costs the community only what he and his immediate family consume. He remarks that "No less an authority than Mr. Edward Atkinson has recently maintained this position and his action has shaken my faith in the reasoning powers of economists generally." Mr. Crosby then proceeds to construct a balance sheet between a rich man and the community which leads me to doubt the accounting as well as the reasoning powers of the advocates of Single Tax, if he is an exponent of them.