

faction. Every petition for legislation must submit to the scrutiny of House or Senate attorneys. Chairmanships of legislative committees, in my time, were largely under lawyer-leadership. The Committee on Bills in the Third Reading—where final form, phraseology and principles are set up—likewise was under lawyer-control. The very powerful Committee on Rules was almost entirely composed of law-trained minds. The largest single faction, in either House or Senate, was that of law.

Times without number I have seen the lay-members of the legislature blindly follow the law-trained orators through parliamentary debate, even when a farmer-legislator or a factory-employee legislator had much more horse-sense to expound.

The influence and prestige of the law profession cannot be completely comprehended except by extended research and observation. In fact, this fraternity has been vastly more powerful than that of medicine or any other so-called profession among the ostensibly learned men who profess to guide the Ship of State. This power, added to the authority which legislative control gives to it, renders the lawyer-group the makers or breakers of society.

As between educated and uneducated peoples, the Duke of Argyll succinctly has covered the matters of responsibility for social peace or chaos:

"If the upper classes, with all the advantages of leisure, and of culture, and of learning, have been so unable, as we have seen them to be, to measure the effect of the laws they made, how much more must we expect errors and misconceptions of the most grievous kind to beset the action of those who—through poverty and ignorance and often through much suffering—have been able to do little more than strike blindly against evils whose pressure they feel, but whose root and remedy they could neither see nor understand."

I have yet to read of a profession, or trade, which lauds itself, impersonally, as often, as unblushingly and as naively as does that of law. Its convention speeches and literary efforts present a refreshing brand of conceit.

At their own behest, our lawyers have gone into politics early in practice and have assumed civic leadership, the captaincy of the Ship of State, both local and national. Upon the captain of the ship falls full power and authority for good or evil regardless of this assumed or real worth. Upon him depends the course to be followed.

My numerous years of inquiry, into the subject and field of law, has been without concern for individuals—among whom are many Single Taxers, which fact is proof enough of their sterling worth and unusual abilities for comprehending.

Not long ago the voice of Senator Borah rang out on the night air: "Congress does not know how to solve the economic problems. We are groping in confusion and delving hopelessly in the field of economics and legislation, seeking a way out of this catastrophic ordeal."

Premier David Lloyd George, whilst frantically imploring the engineers safely to push Great Britain through the World War, confessed that his profession (the law) is "The strictest and most jealous trades union in the world."

Congress is composed 60 per cent of lawyers.

Macaulay, Bacon, Kant, St. German, Swift, Quincy, Adams, Jefferson, Carlyle, Myers and Lincoln are but a very few of those who long ago paused to point out the futile activities of our civic leader, the profession of law—the profession which holds in the hollow of its hand the captaincy of the Ship of State and the welfare of humanity.

As pointed out by Mr. Carroll, the masses very likely would strongly oppose economic reforms, because of the fact that a drowning man has no more sense than to fight his rescuer. When, moreover, the law-profession life-saver has made so many futile "rescues" from the economic seas during the past several centuries, it is now not unnatural for the ignorant mob to take the helm under the name of C. I. O.

Education in general—legal education in particular—is being hoisted by its own petard, and society is caught in the maelstrom.

"If the conclusions that we reach runs counter to our prejudices, let us not flinch; if they challenge institutions that have long been deemed wise and natural, let us not turn back."—GEORGE.

THOMAS N. ASHTON.

## THINKS McNALLY INCONCLUSIVE

EDITOR LAND AND FREEDOM:

The article, "What is Interest?" by Raymond V. McNally in your May-June issue is to say the least inconclusive, if not contradictory and altogether unsatisfactory.

I am not impressed with the question, "Is it not significant that while there is a general agreement among economists on the law of rent, there is none on the question of interest?" It seems to me that in the first place, Adam Smith and Henry George alone are worthy to be dignified by the name economists; and second, that the only thing the other so-called professional economists have agreed on is the determination to so befog the science as to try to prevent all people from seeing that they are being robbed of their rent by the landlord.

In the fifth paragraph Mr. McNally says, "During all this time, however, in spite of ecclesiastical denunciation and civil laws, the phenomenon of interest persisted in industrial life, because it was a natural part of the economic organism and could not be abolished by men." Now the scientific definition of the word phenomenon is "a fact of knowledge." Therefore, by Mr. McNally's own statement "Interest" is a fact of knowledge and "a natural part of the economic organism" and beyond the power of man to abolish. To me this is a very strong statement as to interest being a definite and important factor in the natural laws of the natural science of Political Economy and one with which I agree entirely. But in the last sentence of his article Mr. McNally says, "The burden of proving that there is such a thing as interest in the economic sense, therefore, and that it is unjust, rests entirely with the Marxist and other opponents of interest." If language means anything then this last sentence would indicate that Mr. McNally denies "that there is any such thing as interest in the economic sense" and defies Marxists and other opponents to prove that there is and that it is unjust. Now a thing that does not exist can not be unjust nor be anything. Also "a phenomenon that persists because it is a natural part of the economic organism beyond the power of man to abolish" must be a very definite natural economic fact that has been proven to exist already, and it can not be unjust because Nature is supreme and there is no appeal from her so far as man is concerned.

Now whether we know what interest is or not does in no way cast any doubt, in itself, on the fact of its existence. No one knows what either magnetism or electricity is and yet both are phenomena which we make use of very effectively.

To my mind Henry George very clearly and satisfactorily established the laws of rent, wages and interest, defined them as well as land, labor, capital and wealth and demonstrated that Political Economy is a natural science as exact as any. L. D. Beckwith of Stockton, Calif. has very ably supplemented and clarified George's work.

Also capital and its derivative interest are very important factors in political economy. Without capital (labor saving implements, tools and machinery of all kinds) men, women and children would be condemned to hopeless labor and poverty, there could be no time for the arts and sciences, and civilization would be impossible.

I can not see what all the shooting is about as to capital and interest among true Georgeists, anyway.

The socialist type of mind is not worth wasting time over, as it seems incapable of clear thinking.

Chestnut Hill, Mass.

EDMUND J. BURKE.

## RENT IN PRICE

EDITOR LAND AND FREEDOM:

Two apparently inconsistent facts are quite generally accepted as obviously true: First, that all Rent must be included in the determining of cost; second, that no rent (as such) is included in the determining of price.

And there is nothing really paradoxical in accepting the "second"



fact in connection with the "first"; because price is determined by actual costs on free marginal (no-rent) land, where *there is no rent cost to include* though other costs are relatively high. In fact the rent costs which come in only on better sites, simply make the total costs there equal the marginal (no rent) costs and the seemingly inconsistent facts are actually in full accord. Marginal costs determine price everywhere; the advantages of better sites determine the equalizing rent cost.

But it must be borne in mind that this "second" fact ("that no rent is included in the determining of price") does not tell the whole truth. As to the "first" fact ("that all rent must be included in the determining of cost"), it does not matter whether this rent goes to private owners or to government, for it must in any case be included in costs; but it does very much matter *where this rent goes to* in the determining of *total costs and price*. For if this rent does not go to government (as it now does not) then government must raise that amount of revenue otherwise; and the whole amount so raised *must be added* to costs all along the line,—including the marginal costs which determine price. This addition does not appear as rent but as "taxes" (*substituted for diverted rent* which has already been included in costs).

Notwithstanding the obvious fact that rent cannot directly enter into price at the price-fixing margin where there is no rent, it is true that such a bald statement of the law is a misleading "half-truth." For it ignores the further fact that rent can (and now does) indirectly enter into costs and price everywhere—*when it is diverted from government uses*; its entering being in the form of substituted taxes fully equalling the diverted rent and further raising costs and prices everywhere as Mr. Jorgensen mainly contends. It is important to know that Single Tax will reduce costs and prices everywhere by fully appropriating rent to public use and so cutting off these substituted taxes on production from marginal as well as other costs.

Reading, Pa.

WALTER G. STEWART.

### THE TIME ELEMENT IN INTEREST

EDITOR LAND AND FREEDOM:

In the last issue of LAND AND FREEDOM our fellow Georgist, Raymond V. McNally, completely disposed of numerous theories dealing with the cause of interest. His arguments are unanswerable. It is to be regretted that even Henry George with all his ability to analyze should set up a theory regarding the cause of interest that is no more tenable than the ones he so successfully demolished. His interest theory is the one weak link in his great book, "Progress and Poverty." Mr. McNally has very ably disposed of this theory.

On the other hand I am not so sure that there is not a law of interest. Neither am I convinced by Mr. McNally's argument that what we term interest is merely "compensation for risk." If what we term interest is merely compensation for risk, then it occurs to me that under existing conditions interest rates would be much higher than they are, as the element of risk has steadily increased since the last industrial breakdown. Instead of going up as the element of risk has increased they have fallen, which only proves Mr. George's contention that wages and interest tend to rise and fall together. Surely no one will contend that investments are more secure now than they were during the years preceding the depression and that this accounts for the present lower interest rates. As a matter of fact investments are not nearly as secure, not even investments in government bonds, yet the interest rate is lower. If Mr. McNally is right they should be higher.

While it is true that part of the commercial interest rate consists of insurance to cover risk, I am convinced that in addition to this there is true interest, which is payment for the use of capital.

Despite the fact that Mr. McNally has upset the Bohm-Bawerk time theory as a cause of interest, I am still persuaded that the element of time does account for interest. Even Mr. George saw this dimly but confused it with his "reproductive forces of nature" theory. Time is a most important factor in the satisfying of human wants. A saving in time in the satisfaction of human desires is equivalent

to greater earnings. We want things now and not ten to twenty years hence. This being the case we are willing to pay a premium for the use of capital or wealth, so as to more quickly satisfy our wants. Thus interest arises. I want a home, I can secure one by going to work over a period of years, but I want it now, hence I am willing to pay some owner of a home a premium for the use of it over and above the cost of depreciation and insurance to cover risk, and this premium is interest. It is quite obvious that as long as people feel that they are obtaining an advantage by borrowing, they will be willing to pay for this advantage. Interest therefore is natural and it is just. It is a reward for accumulation. It gives encouragement to store up capital in excess of personal needs. If it is natural, then it can be said that there is a law of interest.

Spokane, Washington.

D. L. THOMPSON.

### THE PITTSBURGH PLAN

EDITOR LAND AND FREEDOM:

I notice in the May-June, 1937, issue of LAND AND FREEDOM, article by Mr. Lawson Purdy on the subject of the assessment of land. In this article, Mr. Purdy notes the obvious fact that an increase of the rate of taxation on land values causes a reduction in the selling price of land. As Mr. Purdy expresses it, "our tax base will shrink as the tax rate increases."

I enclose a study made by this project entitled, "Practical Application of the Pennsylvania Graded Tax Plan." In this study we call attention to the effect of a land tax rate upon the base of taxation and recommend that the tax department shall assess land at its full economic value and then apply the increased tax rate to that base.

In Pittsburgh, it has been noted that the decrease of the rate of building tax to one half that on land has not brought the result which was popularly expected.

Although the tax rate on land is twice that on buildings, the amount collected from the land has not been doubled. There are three reasons for this: First, mathematically, assuming land value and improvement value to be approximately equal in amount, the reduction on buildings to one-half the tax on land has the result of reducing the tax burden on buildings to one-third of the total tax; second, reduction in the selling price of land which is used as the land tax base; third, an increase in the value of buildings and improvements due to the encouragement to improvers to build more and better buildings.

A form of graded tax law is in preparation which will correct the difficulty to which Mr. Purdy calls attention.

N. Y. City.

WALTER FAIRCHILD.

### WHAT IS INTEREST?

EDITOR LAND AND FREEDOM:

In your May-June issue appeared a long article by Raymond V. McNally with the above caption. It shows much reading and thought, but is more clear in proving what interest is not than what it is. His conclusion seems to be that interest is "very likely nothing else but compensation for risk." That risk has much to do with the rate of interest I heartily agree, but I also believe that there is a fundamental reason for interest which Mr. McNally has not made clear.

The primary cause of interest is the service rendered by the lender to the borrower, which enables the latter to overcome the disutility of time. For example—A has land but little money. By working for a year he could accumulate money enough to cultivate his farm, but in the meantime the land would lie idle. He knows that B has capital and persuades B to lend him \$500 for one year at 6 per cent. With this A purchases the necessary stock, seed and tools and then plants and tills his land. Within the twelve month's period he sells the produce of his farm for \$1,000. He pays B principal and interest (\$530) and finds himself the possessor of a stock of tools and several hundred dollars in cash. Both A and B are benefited—A by the use of his own labor and land to advantage; and B by the interest added to his principal. Moreover the community is benefited by the increased production of food.