

other books on bible subjects, and has been the editor of the Christian Patriot and also of the Christian Observer. The unique work to which we allude deals with some of the most important questions of contemporary discussion. It undertakes to show what light the bible throws upon such topics as the higher law of nations, the end of government, the rights of the people, taxes, the tariff, money, free coinage, the land, labor, monopolies, railroads, trusts, and prohibition. This book is still in manuscript, but Mr. Converse is proposing to put out an edition of 1,000 copies, upon receiving that number of subscriptions, payable upon delivery of the book.

In the platform of the Wisconsin republicans it is proposed to abolish the legislative lobby. But what good would that do? So long as legislatures are allowed to vote public privileges into private hands, there will be lobbies or vigorous substitutes for them. It may interest the Wisconsin republicans to know that in New York the lobby has been abolished. It was abolished by the great political bosses. Now, when private interests seek legislation there, instead of hiring lobbyists to beg and flatter and bribe legislators, they deal directly with the bosses who have the distribution of legislative nominations. A seat in the New York legislature is, therefore, no longer very profitable; but the position of a political boss is exceedingly so. To abolish lobbies, in essence as well as name, nothing can be effective short of abolishing private legislation.

One of the acts of the British parliament at its recent session provides for allowing persons accused of crime to tell their own stories to the jury. It is strange that England should have been so slow to adopt this reform. New York adopted it 40 years ago, and was quickly followed by the other states. Even in the federal courts, it has been established for 20 years. Yet it is not so strange, upon second thought, for lawyers advance

slowly. It is of the very nature of their profession to worship the past. They never inquire professionally as to what ought to be, and seldom as to what is, but almost altogether as to what has been. They proceed upon the theory that what has been is, and what is ought to be. So English lawyers opposed the bill allowing prisoners to testify in their own behalf. It was passed against the vigorous opposition of leading members of the British and Irish bar. Similar protests were made against the abolition of capital punishment for stealing, which by the way came well down into the present century. It is difficult for us to conceive of valid objections to allowing prisoners to tell their own story at their trials. But one of the objections urged in England, which was also urged here half a century ago, was that timid innocent prisoners would be subjected to such a strain under cross-examination that they might prejudice their cases with the jury, while guilty prisoners who were ingenious and bold might impose upon juries with their lies.

There is something extremely curious about the prosperity which we are now enjoying. The papers are full of it, and from the republican politicians' tongues the word falls trippingly. But none for whom it is intended experience any of it. Work is as hard to get, wages are as low, advertisements for situations are as plentiful, and advertisements of situations to give are as few and mean, as ever. Indeed, the prosperity of 1898 is so like unto the hard times of 1896 that nobody seems able to distinguish them. The nearest approach to an explanation was that of the iron trade journal which we quoted some weeks ago. It said that the peculiarity of the present prosperity is that it consists in more trade with less profits, and more work with lower wages. That explanation is ingenious, but a simpler if not truer one would be that, except among a few monopolists, there is no prosperity at all.

THE INTEREST QUESTION.

When Henry George brought the land question into the arena of popular discussion, arguing that the institution of land ownership is unnatural and unjust, he shocked many of those who adopted his views in this particular by his incidental defense of interest. Prior to his advent as a great reformer, interest was usually held accountable for economic ills. If the rich were growing richer and the poor poorer, interest was ascribed as the cause. And by way of illustration, such stunning calculations were made as that the compound interest of a penny from the beginning of the Christian era would absorb the wealth of the nineteenth century. George antagonized this theory, insisting that interest, so far from being an unearned exaction, is a natural increment of capital. He thus evoked the hostility of the anti-interest, or, as it would call itself, the anti-usury, element; and many of his own devoted followers take pains to declare their disagreement with him on the interest question.

I.

Most objectors to George's interest theory, so it seems to us, mistake his defense of interest for a defense of something else. They do not clearly distinguish interest, from sources of income to which George was as much opposed as they. That was his own view, for in the chapter of "Progress and Poverty" which is too often neglected or too cursorily read by the opponents of interest, the chapter entitled "Of Spurious Capital and of Profits Often Mistaken for Interest," George used this language: "The belief that interest is the robbery of industry is, I am persuaded, in large part due to a failure to discriminate between what is really capital and what is not, and between profits which are properly interest, and profits which arise from other sources than the use of capital."

He goes on in that chapter to distinguish from capital, which does earn interest, those property privileges which yield returns that superficially resemble interest and are called interest, but essentially are profits of a radically different sort. Among these is land, which is com-

monly called capital, and the rent of land, which is commonly confused with interest. Rent—ground rent—is not interest. It is not due to capital, which is a product of labor, an artificial thing; but to ownership of land,—a natural thing. Then, too, government bonds are as a rule not capital nor representatives of capital, and the so-called interest on them is consequently not true economic interest. The capital originally exchanged for the bonds has been used up in war, and the so-called "interest," so far from being the earnings of that capital, is a mere tax, exacted year by year arbitrarily by government. Thus the bonds, instead of representing living, earning capital, are only evidences of a legal right to levy taxes. Watered stocks and bonds also figure as capital, and their returns as interest; whereas, to the extent of the water, they are in fact spurious capital and their returns are plunder. There is likewise the familiar power of great concentrations of capital acting upon bad social adjustments, a power which does not attach to capital in its normal use. The trust is an illustration. It aims to make profits by restricting, instead of augmenting production. Such profits are not interest. The profits of successful but risky speculations are also often mistaken for interest.

When these and kindred forms of spurious capital and interest are eliminated, as George eliminated them, his interest contention is immensely simplified. It then involves nothing more than the proposition that labor products, when devoted to further production, yield an increase in themselves.

II.

This is readily seen as to some kinds of labor products. One of the simpler examples is a planted field. If labor plows the field, and, having gathered seed-grain, sows it there, the result, a planted field, is a product of labor; and such growth as may come is, therefore, the result of that labor. True, natural forces and not labor, cause the growth; but they could not cause that particular growth but for the preceding labor of planting. And growth there will be. Day by day and night by night, during the subsequent months, nature will work for the man

who has planted that field. She will work for any other man who has made similar demands upon her, for nature is no respecter of persons; yet she will refuse to work in that way for any man who has not thus given direction to her forces. Nature helps those who help themselves. That planted field—not the land of course, but the artificial condition which labor has produced—is capital, a product of labor; and to that particular capital and to nothing else, does nature attach this particular increment of growth. The grain sprouts and ripens even while the laborer who gave direction to the natural forces is wrapped in sleep. He has called upon nature to work for him; and nature, in harmony both in character and extent with the demands of his industry, does work for him, and in that connection for him alone. The increment that she thus adds to his work is his by the best title it is possible for nature to give.

But nature aids labor in this way only to the ripening point. When the grain is ready for the sickle the laborer must labor again, or nature will undo both her work and his. The grain will rot. Yet between planting and ripening there is a constantly increasing increment, due to no human labor except the original labor which ended with the planting—the labor that produced the capital. That increment is interest, natural interest, the interest to which George alluded when he described interest as just.

III.

What is thus true of a planted field, however, is not so obviously true of machinery, which, unlike the field, yields no natural increment—yields nothing except while labor actually uses it. Recognizing this, George said that if all capital consisted of non-growing products, like machinery, he would incline to think that interest could not exist. Inasmuch, though, as growing forms of capital, like wheat fields, do derive an increment from the active powers of nature, he held that the non-growing forms exact a share of that increment, through commercial interchangeability. His own words are as follows:

The interchangeability of wealth necessarily involves an average between all the species of wealth of any special advantage which accrues from

the possession of any particular species, for no one would keep capital in one form when it could be changed into a more advantageous form. No one, for instance, would grind wheat into flour and keep it on hand for the convenience of those who desire from time to time to exchange wheat or its equivalent for flour, unless he could by such exchange secure an increase equal to that which, all things considered, he could secure by planting his wheat. . . . And so, in any circle of exchange, the power of increase which the reproductive or vital force of nature gives to some species of capital must average with all.

There are other grounds upon which George's interest theory rests, but this sufficiently serves the purposes of explanation.

IV.

In objection to that theory we have never encountered but one plausible argument. It is an argument which takes different forms, but is expressed with peculiar force by one objector in these terms:

As I understand George, he justifies interest on the ground that when money is invested in some modes of production, it has a power of increasing independently of labor, owing to the reproductive power of nature. I will not invest in shoe leather, which has no tendency to become shoes without the application of much labor, when I can invest in a calf, which has a tendency to become a cow with the application of a very little labor. Consequently, I will not let a shoemaker use my money unless he will pay me the increase which the money could earn if invested in calves. Now, this argument does not commend itself to me. It seems to me that the value of a given product will depend upon the amount of labor required to produce it. If calves had to be manufactured and did not grow, veal would be an expensive diet. Do not all consumers get the benefit of the reproductive powers of nature? Do not old wine, beef, fruit, grain, shoes, chairs, clothes, and all articles of wealth depend for their value upon the amount of human exertion required to produce them? If nature helps more directly in the production of the former, that means that old wine, beef, fruit and grain will be cheaper than if they were produced in a manner similar to the production of shoes, clothes, etc. That all may share in the reproductive powers of nature, interest is not necessary. The advantages of these powers of nature are equalized by the greater productive power of labor when cooperating with the reproductive powers of nature, and the consequent cheapening of these articles to all consumers.

The argument, though plausible,

really leaves the interest question where it finds it, as we think a little further reflection will show. It gives to the consumer, instead of to the producer, the benefits of growth. But in the normal state of society—and the question at bottom is whether interest would exist in such a state—in the normal state of society, the producer and the consumer are one. Every consumer, in that state of society, would be his own producer. He would not, indeed produce the identical things he consumed; but he would produce their trade equivalents. Consequently, whether the increment of growth which attaches to some forms of capital benefits the consumer or the producer makes no difference. It is interest, nevertheless; an advantage which labor derives from accumulating the vital forms of capital, and which, in the commercial equilibrium, distributes itself among the accumulators of all forms.

V.

Interest distinguishes the wages of laborers who accumulate capital from the wages of those who do not. In the last analysis it is nothing but wages of labor. For the final classification, as George himself says, is not land, labor, and capital, but land and labor, capital belonging in the category of labor; nor rent, wages, and interest, but rent and wages, interest belonging in the category of wages. It is much as skilled workmen naturally earn higher wages than the unskilled, that workmen who accumulate capital earn higher wages than those who do not. In either case the higher wages are due not to any oppression of other laborers, but to greater production in consequence of the accumulation of superior productive power. Interest, essentially, is wages for the kind of work that involves not only the production of things that have to be ripened by nature, but the accumulation of such things while they grow to the ripening point.

VI.

This ripening point is an overlooked consideration. We are told, for example, that wine not only gains value by lapse of time, as George explains, but that with further lapse of time it loses value. So it may be said that while standing grain gains

value for a period, yet, if kept standing beyond that period, its value diminishes. This is true. And it might be added that every species of vital capital would, if held too long, suffer a decrement instead of acquiring an increment. But there is no contradiction here of the George principle of interest. According to that principle, a natural increment attaches to growing capital up to the ripening point, but then begins to disappear. This is only a manifestation of the familiar truth that all products begin to decay as soon as they are complete. Products which are due in part to growth are not complete products until they ripen. It is on account of the operation of this principle of ripening, that there is no such thing, and never has been, as compound interest. A penny put out at compound interest at the beginning of the Christian era would, instead of absorbing the wealth of the nineteenth century, have required enough productive labor through the centuries in reaping and planting—or, in the terms of finance, in looking after collections and reinvestments—to have left nothing but simple interest over and above simple wages. The interest which does exist, and which George defends, is limited by the increment that attaches to the vital forms of capital during the ripening period.

George does find in exchange a further basis for interest, or, as he expresses it, in "the power of increase arising from differences in the distribution of natural and human powers," such as the exchange of fruits of the tropics for fruits of colder latitudes. In such exchanges, as well as in growing, the element of time contributes to the final product. But here, likewise, the ripening principle applies. When each kind of fruit reaches its destination in the climate in which the other was grown, its exchange powers ripen; and not only is there no further increment, but, if consumption does not take place, deterioration sets in, and proceeds until both interest and principal are destroyed.

It is true, as said by the objector whom we quote, that the value of products depends upon the labor required to produce them. But it is not

quite true in the narrow sense to which he restricts the idea of labor. The value of products depends not only upon the amount of labor required to produce them, but also upon the time required to ripen those that need ripening.

VII.

If George's fundamental principle of interest be sound, the payment of interest by borrowers to lenders, upon contracts made wholly without duress, direct or indirect, is no burden to borrowers. On the contrary, its nonpayment would be a burden to lenders. For the payment of interest by borrowers does not take a penny from their earnings; it is paid out of the increment which attaches to the borrowed capital. Interest exists irrespective of borrowing and lending. It is part of the wages of a special kind of service—the service of producing things which must ripen before they can serve their purpose; and if the borrower pays no interest, the lender loses part of the natural compensation for his particular kind of work.

In a state of freedom, there would be no lending upon such terms. Imagine a farmer lending his grain field in December, on condition that he be repaid the following December with a grain field in like condition! or a spring calf, upon condition that he be repaid with a spring calf three years later! or a bottle of wine just put into the bin, upon condition that he be paid a bottle of new wine five years afterwards. Such a contract would deprive him of part of the very compensation which, in planting the field, or raising the calf, or making the wine, he had sought from nature, and which nature would in due time have given to him without prejudice to anyone else. It would deprive him of part of his wages.

VIII.

It is often said that the borrower does a service for the lender, in caring for his capital and returning it in the condition in which it was lent; and that, therefore, instead of paying interest for the use of the capital, he should receive pay for taking care of it. Here again the ripening principle clarifies the question. What borrowers borrow is not that capital which, considering the factor of com-

mercial interchangeability already noted, we may call ripened capital. It is unripened capital, incomplete capital, growing capital—capital which still increases in usefulness and value with mere lapse of time. That is to say, they borrow what is capital as distinguished from what is wealth in possession of the consumer.

To illustrate: A householder going abroad might gladly lend his household furniture without interest, upon satisfactory assurances of receiving back furniture equally good upon his return. He might even pay for the service, for a service it would be. But if he were a furniture dealer, he would not upon any such terms lend furniture out of his stock. Why not? The ripening principle explains. His household furniture is, so to speak, past the ripening point; it is not on its way to final use, but is actually undergoing final use and passing back into the reservoirs of nature whence it came. Not so with the furniture in stock. That is still on its way to final use. In the commercial sense, and by analogy with the vital forms of capital with which this inert form is interchangeable, it is still growing toward the ripening point. To lend that furniture without interest would be to give to the borrower a pecuniary benefit at the expense of the lender. It would diminish the lender's stock, and thereby lessen his business opportunities. No furniture dealer in his senses would lend on those terms, except under duress. Being a free man, neither under duress nor exercising duress, he would demand interest as the condition of lending any part of his stock in trade; and the borrower, being also a free man, would either pay interest or forego the loan.

IX.

Thus, we see that, after all, the interest question is only of speculative importance. It is of no practical concern either to advocates of Henry George's single tax reform or to its adversaries. The essential principle of that reform is the establishment of economic freedom. Its chief recommendation is that it would place all men upon such an equality of industrial opportunity that contracts would be free from all manner of duress. Supposing this to be the re-

sult, the single tax in operation would solve the interest question. Were contracts really free, borrowers would not agree to pay interest unless capital had an earning power in itself, while lenders would not forego interest if capital had such power. Interest, therefore, under a single tax regime, would persist if it were natural and just, and disappear if it were not. We believe with Henry George that it would persist.

NEWS

Perhaps the most important events of the week are those connected with the Dreyfus case. Though these relate nominally to the fate of an individual, they in fact involve the integrity of the French army and not improbably the stability of the French republic.

When last we referred to this case, Col. Henry had confessed to the forgery of one of the documents that had been relied upon to support Dreyfus's conviction of having communicated French military information to Germany, and while in prison was alleged to have committed suicide. It has been suspected, though, that he was murdered. At that time, also, Col. Paty de Clam, another active prosecutor of Dreyfus, had been arrested in connection with the case and was afterwards removed from his military position. We had also reported the resignation of Cavaignac, the French minister of war, who explained his action by saying that he believed in Dreyfus's guilt and could not therefore act in harmony with the cabinet. Cavaignac's place was immediately filled by the appointment of Gen. Zurlinden, and upon this appointment it was rumored that the cabinet had decided to revise the Dreyfus judgment and allow Dreyfus a new trial. But the public were disappointed. Zurlinden opposed the revision, and being supported in this by President Faure, it was not allowed. So the matter stood last week.

Since then Zurlinden has resigned. Claiming to have made an exhaustive study of the Dreyfus case, he declared he was too fully convinced of Dreyfus's guilt to agree, as head of the army, to any other solution than that of the maintenance of the judgment in its entirety. This occurred on the

17th, at a morning meeting of the cabinet, at which it was decided to take the first step toward a revision of the Dreyfus case. The step in question was taken at the instance of M. Sarrrien, the minister of justice. He said that after having examined the papers he felt unable to decide upon the proposed revision until he had taken the opinion of a special commission. Such a commission the cabinet thereupon authorized him to summon. He did so, and the commission met on the 21st at the ministry of justice. Its sessions have been secret.

Both Gen. Zurlinden and M. Tillaye, the minister of public works, regarded the authorization of this commission as involving a revision of the case; for that reason the former resigned, as already stated, and the latter followed his example. M. Tillaye distinctly said in resigning that he was unwilling to accept any share of responsibility for a step which in his opinion involved a revision of the case. At the afternoon session of the cabinet on the same day, the place of Gen. Zurlinden was filled by the appointment of Gen. Chanoine, who promises to appoint an entirely new staff and to reorganize the secret intelligence department of the army. The place of M. Tillaye, was filled by the appointment of Senator Godin.

Co-incidentally with the decision to appoint a commission of inquiry into the Dreyfus case, a report came from London to the effect that Count Esterhazy, another of the active prosecutors of Dreyfus, and the most notorious, had secreted himself in London and had there made an oral confession. He explained that in blind, unquestioning, brutal obedience to orders from his military superiors, whom he regarded as having the same right to rule his conscience as his sword, he had participated in the forgery of the documents upon which Dreyfus was convicted. Out of the thousand documents so used, he denounced 600 as forgeries. Esterhazy's record is so bad that his naked statement will have but little effect; but he asserts his ability to corroborate it by means of documents in his possession. As to human witnesses, he says there were but three who knew the truth—Col. Sandher, Col. Henry and himself. Both Sandher and Henry are dead.

Among those whose names are associated with the Dreyfus case is Col.