

To make the illustration of the borrowed plane a true representation of actual practice in the procuring and use of capital, William, desiring to provide capital for himself, should, instead of turning plane-maker, have continued at his regular employment, setting aside out of the product of his labor so many planks as he could spare from his necessary subsistence until he had accumulated them to the value of a plane. How many planks equal this value is not shown in Henry George's illustration, for a plank there represents the result of a day's labor aided by capital in the form of a plane, while the plane represents the result of ten days labor unaided by capital, and therefore a less value than ten planks. We will assume, for the purpose of illustration, that this value equals eight planks, and that six planks are required for ten days subsistence. William will thus be able to set aside two planks every ten days, taking forty days to accumulate the value of a plane. In case he borrows the plane from James, his product being thereby increased to ten planks, he will be enabled to set aside four every ten days, and will accumulate the required amount of capital in twenty days.

We thus see that "the increased productive power which a plane gives to labor" is transferred with the loan of the plane, and it is because of this increased productive power that William is enabled to pay interest, and not because James has the option of investing in live stock, or in land, and is unwilling to lend his capital for a less return than these investments will yield.

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## INTEREST HAS NO ETHICAL BASIS.

BY ALAN C. THOMPSON.

All economic laws are, in the last analysis, moral laws; and the fundamental moral law of economics, is, "Service for service." Upon this ground alone, we can see there can be no place for interest in a community founded upon justice. For if any one can get an income from past labor, while leaving the total result of such labor undiminished, it is possible for future generations, in perpetuity, to live upon the labor or stealings of dead ancestors, thus maintaining a race of parasites in no way better than present day landlords.

However, it is not sufficient to say interest is unjust and will disappear with the unjust conditions that produce it, so it will be well to consider carefully what it is and how it arises.

Interest is a payment for the use of capital (wealth used in production) over and above any allowance for depreciation. Capital is a product of labor and is really labor in another form. Its function is to aid labor and increase its productiveness. It is commonly stated that it is entitled to a share in the product in return for this aid. That under existing conditions capital does secure this return is certain, but this is not because of anything inherent in capital itself, but because of the conditions under which it is employed, as will be seen on further consideration of the matter. The rate of interest proper, eliminating insurance against risk, depends on the relative supply of capital, and the demand for it based upon the net increase which attaches to its use. It will naturally be high where capital is scarce, and low where it is plentiful. In new countries interest is high because there is plenty of land free to all comers, or at least to be had upon much easier terms than in older countries and so there are better opportunities for investing capital productively, that is to say the net increase is greater. In new and partially settled countries, the organization of labor, in consequence of the limited population, is comparatively rude, there is little accumulated wealth, and so the effectiveness of labor is much less than in older countries. Until the same development takes place that already

exists in older countries, capital, in addition to that produced in the new country will be in demand, and will be sent from older communities.

Now while this is true under the conditions of land tenure that prevails in all civilized countries to-day, it is by no means certain that the same results would follow if our land tenure was different. For the tendency always is for men, when they have free access to nature to produce their own capital in quantities as it is required. It is only when capital is required to buy the right to use land, that an artificial need for capital is created on the one hand and an artificial class of capitalists ready to supply it on the other. The capitalist first gets the capital from the worker in the shape of rent for the privilege of working, and then lends it back to him, charging him for its use. Under the Single Tax the worker would be freed from these unjust exactions and would create his own capital. If it was necessary for him at any time to borrow, he would have no difficulty in finding some one who had more capital than he could use to lend to him, for unused wealth of all kinds will sooner or later waste away and disappear if labor is not spent upon it to conserve it. So if a man cannot use his wealth productively he is under an obligation to those who will take it and use it, returning it undiminished on demand. It is evident then that the return for borrowed wealth will be something less than the capital plus the whole increase due its use, and something more than would have remained if unemployed and subject to depreciation. Thus, if the possession of 100 lbs. of wheat enabled the user to make a net gain of ten lbs. he would return something less than 110 lbs. or it would not pay him to borrow, and if the annual depreciation was 5 lbs. if unused, the owner would demand something more than 95 lbs. or there would be no object in lending. The result of the play of the laws of supply and demand would probably bring about a resultant that would give to the lender his principal intact, for the conservation of borrowed wealth is the just equivalent for its use.

To demand more than the property back is to demand payment twice and is an attempt to evade the law that every man must work for his own living. If the demand is successful the lender gets something for nothing and the producer is robbed of a portion of his product.

It is hard in a society accustomed to monopoly to get away from the idea that a capitalist is not a producer of wealth at least to the extent of his advances, and it is always assumed that he might use his capital productively himself and get the same return in addition to wages for himself if he did so. But while this is true to-day where land is treated as private property, and where the masses can only use land by buying it or by paying rent for it, it would not be true if unused land were free for anyone to use, for several reasons. First, there would be a falling off in the demand for capital, if it was no longer required to buy the privilege of laboring. Second, there would be such an enormous increase in the production of wealth consequent on the removal of restrictions to employment that more capital would be offered for loan than could find borrowers, because men would seek to have their surplus product of to-day saved for them against old age, and unless someone would take it and use it, agreeing to return it unimpaired, they would see their surplus gradually depreciate and ultimately disappear. For example, if a man has ten six year old horses and is leaving the country, say, for ten years, it is evident that if he has to pay for their keep for ten years and then has sixteen year old horses on his hands, the value of the horses, deducting charges, will be much less than when he left. If, however he finds someone who will take his horses and agree to return the same number of six year olds when he comes back, he will have received a distinct service and the borrower will have had the use of the horses for their keep and the replacing of depreciation. Thus each would be advantaged and each would receive service for service.

The cause of interest is land monopoly, and with its destruction interest will disappear.

It is because of the fact that interest is abnormal that the laws governing it do not appear to co-relate with the laws of wages and rent, and in as much as it is a product of the same cause which raises rent above the normal limit, it follows that interest must be wholly drawn from wages, practically reducing wages by whatever is paid in interest in addition to the reduction in wages which is caused by the rise in rent just mentioned. Nevertheless, should interest be abolished without the destruction of land monopoly it is doubtful if wages would be any higher, for land rents would probably rise and swallow up the gain, so, though interest really is taken from wages, yet it is a portion that would otherwise be absorbed from wages by rent. To sum up, the laws of distribution of wealth are simply the laws of wages and rent.

Thus when rent rises wages fall, and when rent falls wages rise.

TORONTO, Canada.

## THE JUSTICE OF INTEREST.

BY ROBERT CUMMING.

Henry George was right in saying that interest is just, and that wages and interest rise and fall together with the margin of cultivation. As rent rises, wages and interest fall.

But after all is said that can be said against the equity of interest, who among all the dissenters from Henry George's view of the subject, will make the motion that the "Parliament of Man" issue a decree against interest, as something wrong that must no longer be exacted or paid? Who shall say that a man with capital at work aiding not only himself, but perhaps hundreds of others in mill, mine, work-shop, store or on the farm—who shall say that he shall not be allowed anything for the use of his capital? Who would have the impudence to demand or expect the use of another's capital without return? The idea is as unjust as it is absurd and foolish.

What is interest? Interest is the return for the use of capital. Capital is that part of wealth that is used to aid in the production of more wealth. Land, labor and capital are the three factors in production. That portion of wealth that goes for the use of land is called rent, that paid for labor is wages, and that received for the use of capital is interest. Profits and interest are one and the same—the returns for the use of capital. Can the natural order exist and the factors of production be other than they are? Could equity be achieved or maintained in the distribution of wealth in any other way than by rent rendered to the state, wages to labor, and interest to capital?

Men who cry out against interest and who defend their position by asserting that labor produces all wealth, and that capital is therefore not entitled to any share in production are either superficial in their conception of interest, or they are Socialists. It is superficial to think of interest merely as a return paid for the use of money. Money is not capital. It is for the thing we want to use—the horse, the cow, the machine, the building—it is for such as these that we pay hire in the form of interest on money. No one would think of borrowing money were it not that he wants the use of something else that money, like a claim check, will secure for him.

What would you think of a railroad grade contractor, in need of both labor and capital, who should say to applicants with teams: "I will pay you for your labor just what I can get men without teams to work for, but I shall expect the free use of your teams? You would say "He must be crazy."

What would you think of a farmer who, having grain to thresh, should say