

THE QUESTION OF INTEREST

EDITOR LAND AND FREEDOM:

On p. 57 of the April, 1930, LAND AND FREEDOM, is an article by Mr. Yancey Cohen on interest. It develops the views of the late Mr. T. P. Lyon, of Fairhope. The thought seems to be that interest on capital is an unjust exaction. Instead of asking whether the lender is entitled to interest, let us ask whether the borrower has a right to pay interest. For strange as it may seem, the payment of interest is more important to the borrower than to the lender. Suppose the case of Smith who has a lot and four thousand dollars and Jones who has three thousand dollars. Smith wishes to build a seven thousand dollar house. He can do so only in case the state will enforce the mortgage-contract which he gives Jones, whereby Jones can collect from Smith \$150.00 a year, or 5% interest.

For it is evident that Jones will not lend Smith his \$3,000.00 on any other terms. If interest were illegal, Jones had rather leave his money in the bank, even if, under such conditions, he had to pay the bank something for keeping it. For Jones could draw on the bank at any time for any amount, but, after Smith had built his house with the money, Jones could only hope to get back his \$3,000.00 from Smith at stated times in stated amounts. Or Jones might use his \$3,000.00 in amusement, in buying books and pictures, in travel, in automobiles, etc. Or Jones might give the money away to the poor, or to the Church. Or Jones might turn his money into gold and jewels and hide or bury it. It is certain he would not lend it to Smith. He does not even know Smith personally.

There are also municipalities, railways, industrial corporations, etc., who would like to have Jones's \$3,000.00. If interest were not permitted by law, Jones would be still less likely to lend his \$3,000.00 than to lend it to Smith. So, then, if there were no interest, no individual or corporation could ever get any money to use but his own savings. No person who saved money could ever do anything with it but spend it, unless he had a business of his own.

Of course, the government could take away Jones's money and lend it to Smith, theoretically. Practically this would not be easy because, if Jones knew the State would take away his capital, he would not save it. Of course, the government could force Jones to work and pay him lower wages than he now gets. Then the \$3,000.00 savings would have been saved by the government out of Jones's labor. In that case Jones would be a slave to the State. All liberty would have vanished of course, but it is not certain that the State would have got the \$3,000.00. For, now that Jones has become a slave, he would not do any more work than he must do, so that, probably, the \$3,000.00 would never have been produced.

If men are free they must own the rewards of their labor. If freemen save, neither individuals nor corporations can borrow their savings without paying them interest. As individuals and corporations need money in their business, they must be allowed to pay interest in order to get the money. If a free man owns a row boat, the public cannot go rowing unless they pay him fifty cents an hour. If he owns the forty dollars the row boat costs, other people cannot use that money unless they pay him interest. A man will keep his boat in the boat-house until he or his friends want to row. A man will keep his money in hiding, or put it into his own property, or spend it, unless he is paid for the use of it. So if all these people are free, they ought to be allowed to borrow money and to pay interest on contracts enforced by the state. There is certainly no way to get Jones's \$3,000.00 for other people's business needs except by paying Jones interest; unless the State confiscates the money. This can only be done by enslaving Jones. Even then, probably Jones would not produce the \$3,000.00, so that the State would get nothing.

It is not necessary to work out any ethico-economic theory to justify interest. It is simply necessary to admit that Jones owns the \$3,000.00 which he has saved. If that be admitted, then you can never have the money unless the State will enforce your contract to pay interest.

Recognizing that it is continually necessary for individuals and corporations to use capital that they do not possess, it must appear that it is in the interest of the borrowers that the State should enforce contracts and legalize interest. Under modern conditions the abolition of interest necessitates the enslavement of the workers, as in Russia. For that is the only way capital can be accumulated for lending, if there be no interest. Whether the enslavement of the workers succeeds or not economically, time alone will tell.

Those of us who believe in liberty and love liberty will insist that the State continue to legalize interest and to enforce contracts to pay interest.

Auburn, N. Y.

FREDERICK S. ARNOLD.

EDITOR'S NOTE.—Both Mr. Yancey Cohen and the late T. P. Lyon, as well as our friends in Perth, Australia, do not advocate legislation to do away with interest. Their contention is that the taking of economic rent would abolish interest automatically.

It is perhaps aside from the question, but for ourself we do not believe that it is the business of the State to enforce contracts to pay interest. We would, in line with the doctrine of freedom to which our friend appeals, abolish all usury laws, since these laws do not accomplish the results sought for. Under present conditions interest continues to be paid at whatever determines the current returns for loans. If, however, the contentions of our friends (Messrs. Cohen, Lyon, et al) are correct, no legislation is called for, nor do they demand any new laws on the subject.—Editor LAND AND FREEDOM.

WOULD PRESERVE OUR INDEPENDENCE

EDITOR LAND AND FREEDOM:

It is not difficult to understand your attraction to the Socialism of Norman Thomas. The followers of Henry George, whose progress has been as slow as their aim is utopian, would no doubt like to feel that they were in the current of a popular movement. But would it not be well, before taking the plunge, to make sure that the current will take us to the shore we are bound for?

Our goal, as I understand it, is self-government, individual liberty, equal opportunity; our method the repeal of privileges. We wish to free all persons from arbitrary interference, to take from government its despotic power. In other words, we are radically opposed to Socialists who worship authority, desire an omnipotent State, and would compel the people to submit to the decrees of politicians and experts.

It seems to me, therefore, that it would be suicidal to compromise with Socialism, in spite of the example of liberal editors and writers, of sincere politicians like Norman Thomas and distinguished scholars like John Dewey. If we were to jump down the throats of the Socialist whale we should face the alternative of being disgorged or digested, a distressing prospect in either case. We can rejoice when a Lloyd George, a Snowden or a Norman Thomas arouses public opinion on the land question, but if we are wise, we shall preserve our independence and not forfeit our right to criticize their economic errors.

South West Harbor, Me.

FRANK W. GARRISON.

A CRUSADE WHICH WILL THRILL THE WORLD

EDITOR LAND AND FREEDOM:

I am trying to make up my mind on this question of ways and means of bringing our reform to the people. We have the greatest problem in history to solve—that's not putting it a bit too strong. Due to several causes, we have been a half-century getting where we are.

I certainly do not wish to be one of Mr. Cohen's "stick-in-the-muds," but when it comes to Mr. Schroeder's proposal of a division into two branches, one to do political work and one for educational activities—I wonder. Are we strong enough to do that? If some dire emergency should bring the land question forcibly to people's

attention, the proposed division might be made effective, under such circumstances.

My intuition seems to say, get every one who can do some straight thinking and is sympathetic, aroused to help in passing the idea along, meanwhile waiting for a crystallized public opinion.

As individuals, I would be as kindly helpful as possible to those of any other shade of opinion, meeting with them when possible, not being aggressive in argument, and we might have an opportunity to drop a seed of economic thought which would prove fruitful later on. The germinative quality of truth is immense.

Let us every one press forward, doing our little bit whenever we can. There is a persistent something that tells me we shall before long be enabled to strike into a crusade which will thrill the world.

Incidentally, I wish to say that it is surprising with what readiness editors of quite influential publications accept letters suitably written bearing on this reform. Perhaps many of them are half converted already.

Cambridge, Mass.

LOUIS WESTON.

RENTAL VALUE AND CAPITAL VALUE

EDITOR LAND AND FREEDOM:

You will remember in reading the accounts of my trip in the Northern portions of N. S. W. last year how I stated the case for the full and complete adoption of our principles. As a matter of fact our general propaganda is invariably along these lines, but we make specific attempts to secure steps in advance wherever we can. That is why we are seeking to get the water rates for Sydney and Newcastle districts imposed on unimproved values. That would mean securing over two millions sterling from land values instead of the bulk of it coming from improvements. It would mean more in giving practical effect to the principles of taxation of land values than all the successful polls taken in other States and New Zealand for over 20 years.

So far as Australia is concerned the idea of taxing the rental value of land was never considered. The only way put forward here was the taxation of the capital value of land. With respect to the fact that imposing a tax on land values means lessening the selling value and consequently bringing about a varying basis upon which to impose a tax to yield the same revenue, that was recognised by our people long ago. It was one of the matters put before the Minister for Works in this State over 13 years ago, when we drew attention to it and urged the Minister in passing the Valuation of Land Act, to make provision against it so as to avoid this difficulty. We urged that the value of land is something which could not be destroyed, the people only having power to determine who should get it, the State which was entitled to it or the private individual who is not entitled to it. Whenever a rate or tax is imposed upon the value of land then its effect upon the selling price should be disregarded when assessing the value for taxation purposes. Land that is worth £100 without a tax upon its value may only sell for £80 with a tax of one per cent. but the value is £100 just the same, and for that reason should not vary as the basis for taxation. The Minister, however, although much impressed with the view which we put before him, would not alter his Bill at that stage, and nothing has been done to meet that difficulty. As the taxation of the value of land is increased this question must be dealt with.

Sydney, N. S. Wales.

A. G. HUIE.

THE SITUATION IN OREGON

EDITOR LAND AND FREEDOM:

When Senator Norris, of Nebraska, stated on the floor of the Senate lately that the only proposition the powers of the earth have to make to the problem of the unemployed is to increase the taxes on the people, he gave utterance to a universal situation.

Everywhere the people look to the government to do something for them, just as Henry George pointed out in Protection or Free

Trade. It never seems to occur to them that governments produce nothing and have nothing to give, but can only borrow of Peter to pay Paul. If they give some one a privilege it must be at the expense of some one else. This is the real cause of unemployment, and this Single Taxers well know. Whither are we drifting and how can we change the current is the only practical question before us. Henry George, Jr., said in a speech in Denver twenty years ago that sometimes he despaired of the Republic feeling that the power of privilege was too great to overcome. We are now witnessing a test of this power over the question of Muscle Shoals, with half the power of landlordism to be benefited by public ownership, and yet the people lose. How much greater power we confront when we face all landlordism! If privilege can bribe a nation to give away a water power site, which is but one phase of landlordism, how much greater is the power of all the landlordisms combined.

Prof. Gunnison Brown writes an open letter to LAND AND FREEDOM and warns that the landlord is defeating us by obtaining tax laws that exempt land and substitute income and other taxes. People listen sympathetically to the landlord while he tells them how hard pressed he is and that land can bear no more taxes. This is the situation in Oregon and I believe it is a growing situation everywhere.

In 1920 and 1922 we submitted the Single Tax in this state; we tried to reach the ballot in 1924 but could not get money enough to complete the signatures. A year ago the Building Trades Council urged to try it again. I had my doubts, but I did not suspect that the tide of reaction would draw away some of the leaders. But it did, and besides it drew away from us some who were supposed to be well grounded in the Single Tax. Thus the Federation was tricked into a reversal of its previous stand. Our appeals drew in but six hundred and forty-seven dollars, and it requires eighteen hundred dollars to put a Single Tax measure on the ballot. If we had had an additional one thousand dollars we could have got on the ballot. We distributed about thirty thousand pieces of literature, which must have cost about one thousand dollars, and we secured about one third of the names required. I personally offered to put up five hundred dollars if the Building Trades Council would do the same. But nothing came of it.

What is to be the end? The tide of social unrest is sweeping the world, and there is no organization seemingly to guide it into safe channels. Will we go through a universal upheaval in which anarchy will reign and out of which all manner of experiments will issue, and incidentally and accidentally perhaps some phase of the Single Tax? Or is civilization to be burnt out by foul gasses and what is best consumed? Our efforts seem futile, but as the new thoughters say all we can do is to hold the thought.

Portland, Oregon.

J. R. HERMANN.

OPPOSED TO JOINING THE SOCIALISTS

EDITOR LAND AND FREEDOM:

I have read the letters for and against joining up with the Socialists. We Georgists cannot join with the Socialists. The Socialists hold that the State should do practically everything for the people (state slavery). We contend that it is the duty of the State to let the people work out their own economic salvation. Even Mr. Thomas says we should collect all land values for public needs, and then he says the State should provide work and homes for the people. Would not the collection of all land rent for public needs provide work and homes for the people?

Brooklyn, N. Y.

GEORGE LLOYD

DISTRIBUTION OF OUR LITERATURE

EDITOR LAND AND FREEDOM:

In trying to influence the thinking of those I know, or have some reason to believe, are puzzled over taxation, I like to send in a personal letter a copy of John Z. White's lecture on "Taxation." The distinguishing and helpful feature it displays is its positiveness, its cheery certainty of ultimate success. He says:

"We have then a simple question: What is the difference between