

Henry George assigns the generative principle in nature as the primary cause of interest and assumes that if all things consisted of inert matter there could be no justification of interest.

It is, indeed, true that interest does depend upon the generative principle in nature. So also do wages. So also does rent. Without the generative principle in nature there could be no such thing as interest, rent or wages. But the generative principle in nature has nothing whatever to do with the division of the product into interest, rent, and wages. If any one of these should be singled out as being caused by generative principle it would be equally proper if not more reasonable to say that rent is caused by the generative principle in nature, for is it not upon the land of greatest fertility, that is upon the land where the generative principle of nature operates with the greatest results, that rent arises?

Neither can we say that interest presents the difference between what labor can produce without capital and what labor can produce with capital. Without the use of capital labor cannot produce anything at all under the modern system of industry. We cannot believe that the time will ever come when men will engage in private enterprise unless they believe they can make interest on their investments, in addition to wages, for the labor of superintendence. Under the Single Tax limited interest will continue the same as now. The rate of interest depends upon the supply and demand of capital, and where there is a legal rate that legal rate has a very close correspondence to the rate fixed by supply and demand; otherwise, it would be largely ineffective.

Under the Single Tax unlimited, however, interest will, to a great extent, if not entirely, disappear. Not, however, in any such way as some Single Taxers think. But it will largely disappear through the application of the social fund to public ownership and operation of all public utilities, perhaps by rendering free service in all public utilities, and perhaps public ownership of many things not now regarded as public utilities.

Interest works the greater hardship where men are compelled to pay in their efforts to secure their own homes, and this is evidently the chief cause of so many families remaining tenants for life. It is quite apparent that the building of municipal homes for the people will be among the first uses of the social fund. By permitting occupancy with no other condition than that of the payment of the land value tax on the site of the house, interest will be abolished at the point where it is most burdensome.

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## INTEREST AND MONEY.

W. E. BROKAW.

The "Interest Symposium" in the May-June REVIEW was interesting. Yet it seems to me that there are phases of the subject, untouched by those writers, that are worth considering. In conformity with what you quoted,

"instead of an editorial," I would like to contribute my mite toward "the awakening of thought and the progress of ideas."

Mr. Sheets' article closes where the discussion should begin—with the definition of terms. I believe that a common agreement upon exact definition of terms would almost render further discussion unnecessary.

Henry George defined "land" as all of nature outside of human beings, and the exertions of human beings in satisfying their desires he called "labor," and he maintained that labor applied to land produced all wealth. Both in his chapter on "interest," in "Progress and Poverty," and in his discussion of it in "The Science of Political Economy," he insisted that neither "capital" nor "the capitalist" did anything, but that labor did all—was the sole active factor in the production of wealth.

It is probably due to the feeling that, as Mr. Sheets says, "Among Single Taxers to question any of the doctrines of Henry George is much the same as to question the decalogue," that the discussion of the interest question has been postponed to this late date. Mr. Sheets says: "In my own mind I am convinced that interest \* \* \* is merely one form of rent."

If we are to accomplish any thing we must avoid the use of purely academic terms which are not used in the business world. In the practical affairs of this world the words "capital" and "interest" are not used as defined by Henry George. Our city directories include the names of "capitalists;" and our dailies often refer to them. If you go to borrow from one of them, what do you get? Money, not machinery or other products. In the affairs of this world (with which political economy *professes* to deal) no one ever borrows and pays interest on any thing but money. When you borrow a typewriter you pay what is called rent—you "rent" the typewriter. In like manner you "rent" a sewing or other machine. You also "rent" a house. You may rent a store building of one man and rent the lot beneath it of another.

*Rent* (in the affairs of this world) is *payment for permission to use*. Pay \$5. for rent of a typewriter for one month. Regardless of whether you use it, you pay the rent, because you had it in your possession with *permission to use*. The same is true in the case of any other thing. Hence, when you pay "interest" for *permission to use* a certain sum of money, you are paying rent. Money is the only thing for permission to use which the payment is called "interest." In all other cases it is called rent.

Now, wholly regardless of the terms used, the fact to be noted is that what is known as "interest," in all the actual transactions of the people everywhere, is a payment for *permission to use*. In this sense, at least, it is identical with rent.

In his chapter on "interest" Henry George bases his justification for interest upon certain *forces of nature*. But that clearly and flatly contradicts his definition of "land," *which includes those very forces*. It seems to me that it would tend to less confusion of thought, especially among those who are accustomed to the ordinary business use of the terms, to use the term

"natural resources" to cover what George defined as land. It would be clear then that the growing forces of nature, as well as the cohesive, chemical, electrical and other forces, are natural resources; that payments for permission to use them must be—not money, or machinery, or house rent, but resource rent—tribute to earth—"owners."

In this connection it is worth noting that it is the money-lender who rules the world today. From the humblest individuals to the mightiest nations and religious organizations, all pay tribute to the money-lender. Why? Money is a human contrivance, supposed to be intended to facilitate trade. It has become a Frankenstein.

Henry George fully agreed with Adam Smith and John Stuart Mill that all that human beings can do is to move things about, while nature does all the rest. In other words, the term "labor" fully describes the human contribution to the products we call wealth. Trade consists in the exchange of this labor, which, Henry George said, is stored in the products as the heat of the sun is stored in coal. In short we trade labor, and we trade nothing else.

Whenever *any* other element is included in the transaction it becomes, as Henry George said of land rent, "in reality an appropriation." One man raises wheat and another raises potatoes, and they meet to trade. What means or comparison is there by which they can feel assured of exchanging equivalent amounts of labor? There is but one—the amount of labor expended in the production of each. How can that be determined? Not by results, for the same amount of exertion will obtain different results from different locations. What then? The length of time spent in the labor. And in primitive communities that is a common practice.

But throughout the world today the money systems are based on gold, not on labor. Gold is a natural resource, and even in coined form it is partially natural resource. Thus, an element (a natural resource) other than labor is included in the transactions involving the use of modern currencies. The landless worker gives all work for the money, but, in buying products therewith, part work and part natural resources are received.

If the currency unit was made redeemable in labor alone, it would not pay rent.

If the U. S. dollars read thus—"the treasurer of the United States of North America will receive this note in lieu of one hour's adult human work"—every dollar would exchange work for work, and nothing else. It would not matter what differences there were in nature's yield to a given effort; the whole result of the effort (much or little) would go in exchange for the whole result of the other person's equivalent effort. Instead of that difference being localized as "ground rent," it would pass to the consumer as cheapened product.

Inhuman commercialism holds us all in its grip now. Its power is manifested as "supply and demand." If the seller's necessities are greater than the buyer's, prices go down; if the buyer's necessities are greater than the seller's, prices go up. Analyze that fact—a fact of every day's experience

and every person's who buys or sells in the markets—and you will see that labor has nothing to do with determining prices; that prices are everywhere and always determined by the necessities of the traders, the landless laborers are always more necessitous than the earth-owners, and so "the man out of a job regulates wages," while monopolies dictate prices. But labor alone would determine prices if the currency unit were redeemable in labor alone. It is the commodity dollar that makes supply and demand lord of the markets, and converts human exertion into the various forms of tribute.

Henry George and his early followers demanded "Free Trade" and "Free Land" in order to have "Free Men." Trade cannot be free where some must give all work for their dollars while others do not. And land cannot be free while it has any value (either annual or selling). Whatever is free is without price—and without market value. When the whole product of one day's labor goes as equivalent exchange for the whole product of any other day's labor, then, and then only, will land be free and the producer get the full product.

Before casting aside any of these ideas, think them out, for, "Until there be correct thought, there cannot be right action."

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### IF WAGES ARE JUST INTEREST IS JUST.

BY C. F. HUNT.

To please Socialists, who hold that capitalists are enjoying incomes not earned, many Single Taxers want to apologize for Henry George's justification of interest, wishing that interest might disappear under Single Tax. Interest is not just because George said it is, but it squares with all the rules of justice, as he proved. Interest is just, because capital is productive, just as labor is productive.

"Capital is but stored up labor, it is but a form of labor, a subdivision of the general term, labor."—(Progress and Poverty, Doubleday, page 164.)

If wages are just then interest is just. If present owners of capital do not earn the wages of capital, it is because they did not earn the capital.

But, for example, if a farmer sets up a windmill and thus saves the wages of a man to provide water for stock, the farmer is injuring nobody; no one thinks of him as claiming earnings not his own. The windmill is true capital, utilizing "a natural force", the wind, just as the bee-man utilizes the labor of bees, or the lumberman uses the flowing stream to move his logs. Certain objectors want to class these forces with the cause of site rent; but this cannot be done if we read Henry George's clear definitions. Productive forces are not the cause of rent, nor is fertility alone. The cause of rent is differences in fertility, or other advantages of site. If every acre were equal to the best, there could be no rent. Read page 166.