

tal. However this may be, if free money will cause interest on money to disappear, all interest must go, for who would pay a house owner interest when he could borrow and build for himself, paying no interest.

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### INTEREST, IS IT NATURAL?

BY A. FREELAND.

Primitive man digs roots and picks berries with his fingers and climbs the tree after fruit. One fashions a sharp stick with which to dig roots and secures a club or long pole with which he knocks or pulls down the fruit from the tree. With these primitive forms of "capital" he produces twice as much as the man with his bare hands. The example set causes such capital to become common. The return due to the use of the capital is economic interest. A man by self-denial and hard work makes a spade and by its use produces twice as much as the man with the sharp stick. Who will deny this man the right to the returns due to the use of his spade? Another man comes along and offers half of the returns due to the use of the spade to its owner for its use. The offer is accepted. This is commercial interest. The borrower increases his income fifty per cent. through the use of the lender's capital. The lender foregoes one-fourth of his income, and applies himself to making another spade. So long as he has no monopoly in the manufacture of spades or of the land which yields the materials of which spades are made, all others will have an equal right to make spades.

The Single Tax on land values furnishes the only plan which will guarantee to all their equal right to make spades without paying tribute to others. If all were equally free to make spades or to exchange equivalent service for them, would any but the shiftless continue indefinitely to pay interest for the use of spades?

No law for the regulation of interest is just. Such laws are based upon a lack of knowledge of fundamental principles underlying the subject.

Labor produces all wealth, including all capital.

Through the private appropriation of rent and the shifting of taxation to labor, some men are enabled to rob other men of a part of the wealth, including the bulk of the capital they produce.

The robbers\* lend the capital back to its producers for a consideration—(commercial) interest, or they hire its producers—laborers, at wages, to use their own product—capital, which has been stolen from them, and pocket the increase—(economic) interest.

If rent were appropriated by the state there could be no class (either landlord or capitalist) to rob labor of any part of its product. It follows that labor would be left in undisturbed possession of *all* its product—wealth, including capital. Then labor, the producer of all capital, would receive the return from the use of such capital—(economic) interest.

Under the Single Tax it is highly probable that voluntary co-operation of laborers in production would be the rule. Co-operating laborers would displace "capitalists," (men who live without labor on interest) and the latter would be recognized, together with landlords, as parasites.

Immediate application of the Single Tax would cause a great demand for capital, which might sustain the interest rate temporarily, but the ready accessibility to the resources of nature, coupled with the unburdening of industry,

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\*The opprobrious terms—robbers, stolen, parasites, etc., are meant in the economic sense, and not as reflecting on individuals who profit by present conditions are no more responsible for these conditions than are those who lose. The evil is institutional.

would wonderfully stimulate the production of capital. While capital might continue to be loaned, it would be from one laborer or set of laborers to others, and not from a distinct capitalist class. The latter would tend to become obsolete.

One of the Socialist's principal failings is that he does not recognize that human desires have no limit. The fact is that all human wants can never be supplied offers the only excuse for the persistence of commercial interest under a dispensation of economic freedom. When we assume that under the Single Tax the production of wealth will be so great that few will care to borrow, while many will be able and willing to lend, and that as a result the payment of interest will cease, may we not be unconsciously acquiescing in the fallacious assumption underlying the Socialist philosophy that there is a limit to human want?

While the study of the subject of interest is fascinating, it is probable that we will have to secure the application of the Single Tax before we can be certain whether or not interest is natural. At all events there can be no question that it will persist under present economic conditions. Personally I am inclined to the opinion that under the Single Tax the time would soon come when few would care to borrow, and commercial interest would practically cease.

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### A CORRECTION AND ELABORATION.

BY S. J. CHUBB.

Allow me to correct an error in the printing of my article on Interest in the Spring number of the REVIEW.

On page 10, near the close of the second paragraph, the word *planks* should be *planes*. As the purpose of my argument was to point out Henry George's error in neglecting in his illustration to show the application of the borrowed capital in the production of planes as well as in the production of planks, this error considerably obscures the sense.

There is also an error on page 9, the seventh line from the bottom, where the word *reversed* should be *secured*; and on page 13, in the second paragraph below the subtitle "Toward The Light," the quotation marks include too much, the first sentence only being quoted.

I will take the opportunity to point out more fully the fallacy in the illustration of the borrowed plane, as given by Henry George, for it seems to me that it was through his error at this point that he was led to seek another basis of interest than "the power which exists in the tool to increase the productiveness of labor," and proceeded to develop his theory of interest as originating in the reproductive forces of nature.

Although very clear in his definition of capital as distinct from other wealth in its use, not in its nature, he seems sometimes to have lost sight of this distinction in his reasoning concerning interest. He speaks of "directing labor to the production of capital," as though capital were a form of wealth. And in another place of its being "more profitable to turn labor into capital than to apply it directly." The supply of capital does not depend on the diversion of labor to the production of particular forms of wealth, but on the devotion of wealth to a particular use; and there is no profit in any other use of wealth.

Though certain forms of wealth may be necessary for use as capital, the question of skill in the production of these forms of wealth does not enter into the problem. A shoemaker who desires to supply himself with capital in the form of a sewing machine, will not quit his trade and turn machinist. He will merely abstain from the consumption of luxuries to such an extent as shall enable him to accumulate capital to the value of a sewing machine.