Fundamental Principles of Economics," Charles J. Townsend and Walter L. Sinton, p. 19.

"Nothing can prevent the destruction of civilization unless the commodities which now go into the possession of the landowners, under the names of rent, dividends, interest and profits, as unearned increment, are returned into the public treasury for the common use of all the people."—Ditto, p. 21.

"To sum up, then, it is obvious that when all land rent goes into the public treasury, when taxes are abolished and all land is opened up for use to the highest bidder, interest, dividends and profits will disappear and be absorbed in rent, owing to the competition for any and every kind of natural advantage. We see what a tremendous revolution the Land Values regime will bring. In fact the whole social system as we know it will disappear utterly and an era of voluntary cooperation in industry will be ushered in, allowing full scope for the individual while at the same time providing fully for the common needs of all."—Ditto, p. 27.

E. Wye.

As to Interest: Reply to E. Wye

IN the illustration of the little child going berry picking (Chap. II), E. Wye says: "Now, I could never see why the child's pinafore would not have sufficed, or if necessary its fist, save that the labor expended in bringing home the berries would have been less efficient." Exactly! And it was to obtain efficiency that a basket was sought and obtained. This basket was produced by labor, and labor is entitled to wages which it would have received had the basket been bought, or to interest (partial wages) as the basket was merely borrowed.

E. Wye continues: "If there was no monopoly in baskets, then the use of baskets was the conventional way of gathering or producing berries." If the use of baskets were sufficiently "conventional" to be general among berry pickers, then every berry picker would have a basket—having bought it. The fact that a basket is borrowed discloses both need and lack of baskets. Baskets for sale in a store that sells baskets is not necessarily an evidence of monopoly of baskets, and E. Wye will admit the equity in the storekeeper asking payment for his baskets. Would a stock of baskets in a store kept in stock to loan them as required be any more evidence of monopoly? And would payment for their temporary use, instead of purchase for permanent use, be any less equitable? There are stores that lend camp chairs for funerals and parties. Is the payment charged for these inequitable?

Similarly, water filters and coolers, gas stoves for apartment dwellings, towel racks for offices, and other articles of this nature, are loaned out for pay. The houses and apartments and offices and lofts that are rented are in themselves wealth hired out for pay. Is there anything wrong about that?

E. Wye says that putting berries in baskets is "an extension of the earlier mode of putting them in a big leaf for conveyance," but how does that affect the situation? If big leaves were not at hand, and one had to make a day's journey to obtain such a leaf, would not the possessor of such a leaf be entitled to one day's berry pickings as payment for it, or to a small share of a day's pickings for the use of the leaf?

E. Wye asks: "Should our economist not also include the child's clothes as part of its tools, since they protect the child from briars during the operation of gathering?" If the clothes protect the child from the briars, then there is wear and tear on the clothes in the process of picking, and the clothes must be replaced. There would then naturally be special clothing used for the purpose of berry picking, and if some one had such clothing handy that fitted the child, and the loan of this clothing was asked, the purpose would be to save the child's other clothing, and as the lender could have legitimately come into the possession of such clothing only by producing them with his labor or purchasing them, which is the same thing in economics, he would be entitled to wages for the sale, or interest for the loan.

E. Wye's next sentence is rather surprising: "The fact is that without a monopoly or a patent right, tools become part and parcel of society's inheritance from the past." Isn't this rather socialistic? In what manner or by what process do tools become part and parcel of society's inheritance from the past? This implies social ownership of tools and the machinery of production.

It is true, as E. Wye further says, "Every advantage derivable from the growth of the arts in production, in invention and in the advances of scientific knowledge is absorbed in rent." But the rent *having been paid by the labor that produced* the "arts" and the "inventions," labor has become quit with society, and society having so absorbed its part in the "advances of scientific knowledge" leaves labor in the undisputable and equitable possession of the tools and machinery it has produced, with no further rightful claim on the part of society.

In the quotation from Lewis H. Berens' "Toward the Light," in Chap. II, the opening statement that "Nature yields more to labor when making use of tools than when working unaided" expresses the reason why labor seeks capital; while the closing statement of the quotation, "The essential thing which James loaned to William was not the privilege of applying his labor in a more effective way, but the use of the concrete result of ten days' labor," contains the justification for the payment of the use of capital —in this case partial wages for ten days' labor.

In Chap. III E. Wye's explanation of the "inevitability" of interest "under the existing system of private ownership of land" can apply only to the *rate* of interest, not to its equity. Naturally, lenders of capital, especially in the form of money, will not lend out at a lower rate than the "market." And as long as land monopoly furnishes a fruitful market they would be foolish to lend at any lower rate than they can obtain in land investments.

E. Wye himself senses this, for in the next two paragraphs of Chap. III he shows clearly how the abolition of land monopoly will reduce the need for borrowed capital and abolish the fruitful money lenders' market. This is quite different from saying that interest *itself* arises out of and is based only on land monopoly.

The quotation from Lewis Berens' "Toward the Light," in Chap. III, does not well apply to the title E. Wye has chosen for his thesis, "As to Interest." It would apply had he chosen as his title "As to Henry George's Justification of Interest." Thus there is neither purpose nor profit in analyzing it.

Berens' analysis, however, is correct, and it completely justifies interest as payment for the loan of accumulated labor, or in other words, as partial wages.

In Chap. IV E. Wye says, "Capital in iteslf produces nothing." How would he reconcile this with his admission in the first paragraph of his second chapter that the basket produced efficiency? Or with the quotation from Lewis Berens in Chap. II that "Nature yields more to labor when making use of tools than when working unaided." Greater efficiency is all that has ever been claimed for capital by any of its economic opponents except Henry George, and George includes efficiency as one of capital's contributions to production.

E. Wye himself justifies interest as payment for tools and machinery (as wages for stored-up labor) in two beautiful sentences in Chap. IV: "Everything in the universe is of energy compounded, *a machine being but an extension of human energy*. The multiform modes of power that so distinguish modern invention are upon analysis *all to be found acting within the human microcosm.*

As to the claim that "the utmost that can be expected from the use of wealth is its maintenance or replacement," I should like to ask E. Wye whether the mere "replacement" of a "run-it-yourself" automoblie without payment for the use of capital would be sufficient payment for its use? Or whether the maintenance or replacement of a house, an apartment, a store or a loft is sufficient payment for its use?

There seems to be a contradiction in terms in the following question and answer quoted from Chap. IV which demonstrates the difficulty, even in a mind so keen as that of E. Wye, of establishing a clear and valid argument against the equity of true interest. Question: "Leaving aside what is called spurious capital, which is a compound of monopoly and special privilege, with a power to levy tribute in the shape of dividends, interest and profits, what *is* the 'interest' we are here concerned with and what is its origin?" (Note what the question means to "leave aside.") Answer: "It is a convention of modern times springing from poverty (lack of wealth) on the one hand and superabundance of unearned possessions on the other. Its beneficiaries are landlords, bankers and investors who in the current maldistribution of wealth find easy and willing clients in the millions of the poor." Thus the "compound of monopoly and special privilege with a power to levy tribute in the shape of dividends, interest and profits" after being set aside is dragged in again to define "the interest we are here concerned with and its origin."

Surely if *monopoly* interest is the *only* interest we are concerned with, we cannot find justification for *true* interest. Also the very fact that we are concerned only with *monopoly interest* prevents us from seeing or trying to see what *is true interest* and what is its origin.

In the quotations from Ernest Crosby's "Labor and Neighbor" (Chap. IV) *monopoly* interest is being considered, not *natural* interest. Its claim that "squirrels and bees save without receiving any bonus upon their savings, and men can doubtless acquire the same wisdom if they try," leaves out of consideration the fact that squirrels and bees use neither tools nor machinery. Also it doesn't argue that bonuses prove lack of wisdom. Its answer to its own admission that "men prefer to enjoy a thing now to postponing the enjoyment of it to the future, and hence that they will always pay a bonus for anticipating the use of it"—namely, the supposition that we may expect "the advent of a more philosophical frame of mind which will allow the trouble of preserving the desired thing to offset the annoyance of waiting for it"—is so visionary that it can hardly add to the clarity of an economic discussion.

The quotation from Lewis Berens' "Toward the Light" (Chap. IV) deals in pure speculation as to what capital will be worth to a borrower "under natural and equitable conditions." Assuming it will be worth comparatively little, what of it? That doesn't abolish capital nor invalidate interest! Also assuming, as the quotation does, that the care of the capital and its safe return may, under the conditions stated, be worth as much or more to the lender as the use of the capital is to the borrower, and thus "honest and solvent borrowers be able to command a premium for preserving the possessions of their fellows for future use." What of that? Would the fact that "A" sells "B" services, and "B" sells "A" services, nullify the value (or price) of either services? The value of the services may balance each other, or they may not, and the only way in which this can be determined is by setting these values against each other, but the services must each have *values* for this to be determined.

Nor is there anything economically or philosophically valid in an argument which proceeds on the theory that because under certain conditions the value of a thing approaches zero, therefore the thing itself does not exist.

The quotation from Sir George Fowlds in the *Auckland Liberator* (Chap. IV) opens with a gratuitous assumption. It is statements like this that lead well-meaning but hasty people to jump at conclusions and leave the safe road of sound economic reasoning.

Obviously what Fowlds had in mind when making that statement was the inordinate *rate* that money lenders exact and which is *called interest*. It is this *rate* that has its props in the "private appropriation of rent," and that will "disappear with the public collection of rent." *Not legitimate interest on legitimate capital. That is and always will remain* payment for the use of "*stored-up labor*," and thus "*wages*."

The statement by Fowlds, as also the opening statement in the Berens quotation above referred to, that all wealth distintegrates and tends to go back to the earth from which it came, also bears only against the *rate* that true capital could command under equitable conditions. These tendencies of wealth to disintegrate and become completely valueless will govern the rate of interest exactly as it was intended in the Mosaic law of the Jubile: "According to the number of years after the Jubile thou shalt buy of thy neighbor, and according unto the number of years of the fruits he shall sell unto thee: According to the multitude of years thou shalt increase the price thereof, and according to the fewness of years thou shalt diminish the price of it: for according to the number of the years of the fruits doth he sell unto thee." (Leviticus xxv, 15 and 16.)

Here is a recognition of diminishing returns with diminishing value, or utility, and clearly it is a recognition (as there are many in this greatest of books) of the operation of natural law in the affairs of men.

The very expression by Fowlds of the "relationship between capital and labor" under equitable conditions that "the service which labor renders to capital by preserving it would be the equivalent of the services which capital renders to labor by increasing its productvie power," *assumes a value* in the "*services which capital renders to labor* by *increasing its productive power*." That is all that the proponents of true interest claim for it. Whether that would be the "*equivalent* of the services which labor renders to capital by preserving it" has nothing at all to do with the matter under discussion, and the prediction that two values would be *equal* and an *offset* against each other is supposititious and irrelevant.

It is of course true, as Fowlds says in the same quotation, that "with rent collected and used for community purposes, all power of economic exploitation of man by his fellows would disappear," but that clearly is a question of *rates* or charges for services and not an indictment against the *equity* of those charges.

In Chap. V is not E. Wye resorting to the straw-man building and destroying practice we are all so familiar with? "Georgists" (and that term can be made to mean anything the user may wish it to mean) are not necessarily economists; and if they do choose to appropriate that title, then economists are not always fundamental or logical. How does it affect the question of capital and its function, and interest and its justification, *what* "Georgists are prone to belittle"—or to emphasize? And what *is* that "common garden variety of interest which the borrower pays to the money lender?"

If we are discussing economic factors and phases—especially if we are "Georgists"—why not adhere to economic reasoning and define our terms so that we can all agree on their meanings? "Interest which the borrower pays to the money lender" is *not* true interest in the fundamental economic sense. It is a combination of monopoly rent (largely), tribute (very materially), and wages and true interest (partially), and is collectible only because of the dire need of the producer to get possession of the wealth (or capital) he needs in production and of which our private land owning and private rent collecting system has robbed him.

To indict this form of "interest" is not an indictment of *true* interest, and to make it appear that because this iniquitous charge which is called interest is wrong, therefore there is no charge for the use of capital is, to say the least, obscure argumentation.

And why cast aspersions on the "common man" when the uncommon has such difficulty in finding his way about?

The quotation in this chapter (V) from "The Story of Archimedes" by Mark Twain is refreshing. It sheds a little humor on the subject, even if it does not add much sustenance.

The quotations from "Natural Prosperity," by R. F. Dyson, are all indictments of what the money lender exacts for the use of the money he lends (monopoly interest) and do not bear in any way or degree against true interest.

The opening phrase of the first quotation discloses, however, the kind of economic reasoning that has been employed by Dyson in his contribution on interest: "a capitalist primarily lends money." Even a Socialist who has any regard for economic facts couldn't have said that. How are we as "fundamentalists" ever going to get anywhere with that kind of talk?

The second phrase of the first sentence of the same quotation, "and before he can lend it, it must be spare," Dyson got from Shaw. Yes, Bernard Shaw, none other! So listen to Shaw: "Land is not the only property that returns a rent to the owners. Spare money will do the same. Spare money is called capital." (Dyson's book, page 41.)

After quoting Shaw as above in his book "Natural Prosperity," Dyson says: "Shaw's definition, spare money, is the correct term for capital. Other people define capital as wealth which is used to produce more wealth, such as machinery, buildings, etc. A capitalist would therefore appear to be a man who owns a number of such things and draws interest through the loan thereof. It is argued from that definition of capital that because machinery, etc., aids production, the capitalist does also and is justly entitled to his interest. That is to confuse what is termed capital with the capitalist; and moreover it gives no clear idea of what a capitalist is or does." (Page 41.)

Then follows Dyson's definition of a capitalist as quoted by E. Wye. If the definition indicted by Dyson causes confusion, as he says it does, what is to be said of Dyson's "clarification"? The definition he quotes is, of course, not a complete justification of interest, but it is a correct statement as far as Dyson stated it. Note the cavalier manner in which he brushes it aside and substitutes for it the oracular pronouncements of G. B. S.!

Not to bore the reader, or to fill the pages of this paper with a talk on interest or to try the patience of the editor who sits on high in this discussion as the wise old owl who "seeth much but sayeth little," we will not attempt a complete review of Dyson's chapters on interest in "Natural Prosperity" as we had originally set out to do, but a few quotations may aid in disclosing the kind of argumentation that is employed in the premises.

"Land bears a rent for natural reasons, as we have previously shown; rent generally increases with the lapse of time because the community grows. Wealth does not bear a natural rental value like land; land and wealth are two distinct things." (Page 42.) Dyson uses this distinction to show that wealth is not entitled to a natural return. He, of course, loses sight of the fact that nature is many-sided and that there are other natural laws that operate. There are other laws in the economic world than the Law of Rent. Space forbids us to go into the latter in detail here. Perhaps at some future date the writer will do so. The trouble at the basis of all this controversy over interest is that those who do not agree with Henry George's justification of it, seek no further for justification but condemn the entire structure without applying the light of correct fundamental economic reasoning.

Wealth may not, as Dyson correctly says, "bear a natural rental value like land," which depends only on the presence and activities of the community, but it *does bear within itself a basis of value just as sacred—the value of the labor that produced it, and its earnings* (*interest*) *is as fully justified by that equally natural return to labor, wages*, as land is to rent. The need for capital and the willingness of producers to pay for it are just as natural, though not as immediate, as his need and demand for land; and the justification of interest is just as economically sound as the communal ownership of rent.

On page 44 Dyson says: "Spare money bears interest only when another borrows it. If the producer borrows one hundred pounds and pays back one hundred and fifty pounds, the extra fifty pounds must obviously be a deduction from his earnings. The only part played by the lender was to hand over a check and take documents as security. He would receive ample compensation for his exertion in receiving back his one hundred pounds at a future date; for he would thereby save his depreciation bill which the ownership of any wealth naturally entails. The extra fifty pounds he would receive as a reward for inertia. Inertia produces nothing, and the extra amount would be purely unearned increment." The opening sentence is, of course, obvious and unnecessary. Nothing has a value unless some one wants it. Land has no value unless some one wants it. The example of 50 per cent interest being paid is, of course, used to make the transaction look usurious and can be discounted. Also the illustration carries out Dyson's and Shaw's insistence that a capitalist is only a money lender. So these attitudes will have to be resolved in the mind of the reader. But to analyze: The part played by the lender, *as Dyson states it*, is indeed rather insignificant, but how about his having come into the possession of one hundred pounds, or one hundred pounds of wealth, or capital? Under equitable conditions he had to perform services for it if he came by it honestly. Is he not entitled to payment for those services?

"The lender would receive ample compensation for his exertion in receiving back his one hundred pounds at a future date ; for he would thereby save his depreciation bill which wealth naturally entails," says Dyson.

Is that why borrowers are willing to pay for wealth—because it depreciates? Or is it because it assists them in production? And if it has such a value to them, why hasn't it a value to the lender? If it had not, who would produce wealth beyond his immediate needs? And then where would capital come from?

The fact that the borrower borrowed one hundred pounds and paid back one hundred and fifty, troubles Dyson. It is his own fault. Had he not put up the interest so high he would not have felt so bad. Dyson does not say how much the borrower made with the use of one hundred pounds—perhaps he doubled the money and thus wa fifty pounds to the good. Also Dyson does not say what a "life saver" that one hundred pounds was just in the nick of time when, if he didn't have it, the borrower would *hav had to set about first earning and saving that one hundre pounds.*

Also what assurance has Dyson of that "*depreciation*" of wealth that the proponents of his proposition conten for and which should make the lender happy to receiv his wealth back intact? Hasn't he ever heard of wealt *appreciation*, especially the wealth he and Shaw speak o —"money"? It would seem that the lessons of histor would give them pause and make them reconsider.

On page 46 occurs this: "When rent fluctuates in rea estate business it is the ground or land rent which moves not the usury charged for the use of the building. Th two are separate and distinct, although they are com monly spoken of under one head—rent." This will b great news to the followers of Henry George! *The charg for the use of a building is usury!*

Some economic sustenance, too, may be gathered fro this: "There are many ramifications of the business c calculating usury, for the 'capitalistic' system is simpl a pawnbroking system." (Page 48.)

This writer holds no briefs for the monopoly interests but to characterize the system of *private ownership an control of capital* as a "pawnbroking system" is just muc dleheadedness.

And here is some economic dicta. "The simple facts that *wealth can be produced only by applied human exertio* and that wealth or its equivalent in money divorced fro labor does not increase in value but must decrease, are i themselves sufficient proof that interest is unnatural and therefore unjust and a robbery of producers, earnings." (Page 51.)

"Wealth can be produced only by applied human exertion," says Dyson. Yet in the succeeding phrase he assumes the possibility of wealth being "divorced from labor." Labor may or may not use it, but how can you divorce wealth from the *labor that is in it* from the labor that *created* it—from the "human exertion" that, as the quotation admits, is the "*only*" thing that "produced" it? Of course, Dyson didn't mean *that* labor; he meant the labor that would have to *make use* of this stored-up labor in order to give it a value. He loses sight of the *creative labor in* the wealth; he loses sight of the fact that if "wealth can be produced only by *applied human exertion*," wealth *represents* that "human exertion," and that wealth is thus merely *stored-up human exertion*, stored-up labor, and that *this is the natural and basic justification for a return to such stored-up labor* or the "*wages*" *of capital*—interest.

The claim that wealth does not increase in value has already been answered elsewhere in this criticism, but what if it does or does not increase in value? That has nothing to do with the argument. You might just as well say that wealth does or does not float on water. It does or it doesn't, but so far as its justification for a *return* is concerned it is responsive to *other natural laws*. Let those who would write about interest and wealth *learn* something about these other natural laws.

Now back to E. Wye: The quotations from "Radicalia" by S. Tideman add nothing to the argument. They address themselves definitely to our present monopoly and tribute-exacting system, and end with the acknowledgment that "no law can circumvent it as long as the rental value of land is treated as private property," which is true.

The quotations from "The Fundamental Principles of Economics" (Charles J. Townsend and Walter L. Sinton) apply mainly to present monopoly conditions and the necessary remedy. In the final quotation, however, the authors are guilty of that most unforgivable of sins, an *non sequitur*: "It is obvious that when all land rent goes into the public treasury, when taxes are abolished and all land is opened up for use to the highest bidder, interest, dividends and profits will disappear and be absorbed in rent, owing to the competition for any and every kind of natural advantage." How does it follow that community use of rent will abolish "interest, dividends and profits?" Rent is paid *because* "these" are earned, and *after* they are earned. Not before. How can it absorb them? The writers give as the circumstance that will cause this economically impossible eventuality to happen "the competition for any and every kind of natural advantage." Competition for natural advantages carries with it competition for the facilities that will enable the competitors to derive the greatest returns from those "natural advantages," and as "nature yields more to labor when making use of tools than when working unaided" (already quoted), and "labor expended in bringing home the berries" without baskets "would have been less efficient" (E. Wye's own statement), we can visualize the competitors for "natural advantages" *also being competitors for the tools and machinery*, for the organization and efficiency, that will more quickly translate the advantages into rewards. These *tools and machinery* are capital (stored-up labor), and in the competition for possession of this capital will arise willingness, indeed desire, to pay for this capital, and this return to capital will be payment for stored-up labor—interest.

If labor is entitled to wages, it is entitled to those wages whether it works for hire or whether it works for itself. In the former case it is handed its share by the employer; in the latter case it keeps the product. *The product, too, is labor—labor in concrete form; stored-up labor.* The producer has a right to *sell* it; the return he gets is *another form of wages.* If the product happens to be a tool, and its nature, or the circumstances, make the *loan* rather than the *sale* of the tool advantageous or necessary, *does the labor in the tool thereby disappear?* If it does not, *is the laborer or producer not entitled to wages for that labor, to payment for the use of the tool?* The answer seems obvious. Whether it is a tool or a complicated machine, what is the difference? Its helpfulness to others makes its possession desirable and *profitable. It cannot be reproduced except by the expenditure of a like amount of labor as that already put into it;* such labor would have to be exerted or paid for if the tool or machine had to be made. *Why isn't the labor already stored up in the machine, which has the added advantage of having already been expended and therefore now saving time* (the time of reproducing it), entitled to *its* hire? If the machine were to be *bought* it would have to be paid for? Would that be inequitable? If not, why is the partial payment for its *use* considered inequitable?

We must learn to distinguish between natural and unnatural conditions, between health and disease. We must learn to seek causes and not take the apparent for the real.

Our social evils are due to violations of natural law; they are as pathological as the acts of a mind deranged and as unreliable in determining normal conditions.

The sun doesn't move in its relation to the earth even if it does seem to do so.

The disparagement of capital as a factor in production, even though it plays the minor part, or the attempt to invalidate interest because under the abnormal and unnatural condition in which we live, monopoly, usury, tribute and other legalized robbery is *called* interest, is like condemning the character of a man in health because of his acts in a fever delirium. It is like saying the earth is flat and all the universe revolves about it.

It is jumping at conclusions without seeking causes.

OSCAR H. GEIGER.