MORE ABOUT INTEREST

EDITOR LAND AND FREEDOM:

Mr. T. J. Kelly, in his very entertaining letter on this subject, sets out quite a number of fundamental economic truths which I think all Single Taxers will fully endorse. Georgists who oppose interest, however, will not be satisfied. It is not what Mr. Kelly puts into his letter that is vital, but what he leaves out. Friday, making a fishing net for Crusoe, is entitled to receive fish while the net lasts, (the equivalent of hire), but when it is worn out he should get nothing at all. If he would eat fish indefinitely he must make nets indefinitely. He cannot, under the circumstances in which he is placed and where no "money" exists, eat without working unless he owns land. *The onus is on him to replace his capital.* Had Friday, however, been able to lend Crusoe the price of a net, say twenty dollars, the contract, under conditions such as exist in civilized countries, would have been that Crusoe should supply him with fish until such time as the twenty dollars were repaid, and Crusoe himself, *not Friday*, would have had to make all his nets after the first. And, although the repayment of the loan would end Crusoe's obligation to feed Friday, it would affect not the latter's power to obtain fish without working, since he would re-lend the twenty dollars and repeat the performance with other borrowers, ad infinitum. He could also pass this power on to his heirs and assigns for ever.

Mr. Kelly's insistence on the perishability of *tangible* capital is a very srtong argument in favor of those who repudiate interest as levied under existing conditions. I would like to see him attempt to persuade your readers that the twenty dollars must perish *by the mere effluxion of time* in the same way. In order to forestall time-wasting replies I would emphasize that the periodical re-payment of loans, as shown above, does not affect my argument. Neither does the fact that fishing nets add enormously to the production of fish. No one denies the existence of "economic interest."

In conclusion, I would like to say that a study of the position in New Zealand goes to show that the economic rent of the dominion is approximately one-third of the national production. No calculation based on Ricardo's law, can make it any more at present. Interest takes about the same proportion. It is futile then to assert, as some supporters of interest do, that interest is merely economic rent in disguise. A small amount of it may be, but not the bulk. I think the position is much the same in other countries, and that is the reason I hold that the "Socialization of Rent" will treble wages, for I believe, both rent and interest *paid to idlers*, will be eliminated under the Georgian plan.

Auckland, New Zealand. C. H. NIGHTINGALE.

RURAL "LAND VALUES"

EDITOR LAND AND FREEDOM:

In your May-June issue Harold S. Buttenheim seems, at first glance, to dispose of the claim of Walter Fairchild in the preceding issue, that rural areas tend to have less of their total real estate valuation in land values that do urban areas. Citing the sixteen States which furnish assessment figures bearing on this question, Mr. Buttenheim purports to show that, "without exception, improvements constituted a larger proportion of total real estate values in urban than in rural areas."

This does not, however, demolish Mr. Fairchild's case. Mr. Buttenheim errs in identifying the "land value" in these impressive looking statistics with the true economic land value which Georgists would tax. The urban land values cited in the statistics probably are not far from being identical with what we mean by land values. Agricultural land value, on the other hand, as interpreted by assessment officials, commonly includes very much more than the component which we call land value or site value. Of a farmer's real estate, they account only his house, barns and other structures as improvements, and consider the market price of his land to be his "land value." In so doing, they ignore the fact that often by far the greater part (sometimes practically all) the selling price of the farm land is due to improvements *in* (as distinct from *on*) the land, such as its cleared, smoothed and fenced condition, its artificial soil enrichment, invisible drainage system, etc. These are as truly improvements as barns and silos, though not so accounted in the figures used by your correspondent, and are now taxed as "land value." Under our plan they would be exempt. Probably a great obstacle to Single Tax progress amongst farmers is this misapprehension as to what we mean by land values; a misapprehension from which your correspondent does not appear to be free.

Norfolk, Conn. JOSEPH R. CARROLL.

THE TAX RACKET

EDITOR LAND AND FREEDOM:

The old tax "racket," suggested to Louis XIII, by his prime minister, Richelieu, "taxes should be levied in proportion to the ability to pay," is being worked a-plenty by politicians and news reporters, also cartoonists. Even some statesmen and a few editors, who are a bit hazy on political and social economics and the evil effects of taxation, are trying to justify the imposition of an income tax on corporations and individuals who are the most capable, while utterly disregarding the fact that such taxes are wrapped up with and included in the price of goods and services that everybody needs to buy, and, "the consumer pays the tax."

They also ignore the fact that, in trade, business, industry and commerce, potential buyers and sellers are often "kept apart by price." They appear to forget that the unemployed are in their unhappy state because those who are working cannot buy all they want on account of high prices and low wages. They overlook the fact that in taxing the rich, the poor and all others are taxed by proxy. About the same money is spent but less labor is paid for.

It may be soothing to the emotions to "soak the rich" with taxes but it doesn't get us anywhere. We only succeed in making our own life harder and our country a less comfortable place in which to live. Those who are known as "Captains of Industry" and are the managers of "Big Business" cannot employ more labor or pay higher wages when their product is unsaleable due to high prices that must be demanded to pay overhead that is swollen by tax levies, and cost of collecting and paying those taxes. They are helpless in the matter of creating demand by cutting the price of their product while government throttles them with taxes, hampers them with regulations and requires them to perform governmental functions such as: Collecting taxes from consumers with which to pay their own assessments.

There are few, I believe, who question the high motive behind President Roosevelt's attack on "bigness," and, his objective may (?) be desirable, but there are those who predict, and I think they are right, that the methods suggested, some of which seem likely to be adopted, will prove to be very disappointing as reform measures and will retard, rather than promote, recovery. It is certain that taxing the rich who get their income by selling services or goods to the rest of us, holds out no hope to consumers that the price of anything which everybody wants to buy will come down. On the other hand, there is reason to anticipate much higher prices for consumer's goods and services and, due to diminished demand, a great reduction in the prices for capital goods such as wheat, cotton and other basic commodities, and labor.

Instead of more taxes being levied to further burden everybody the taxes now in force should be shifted from where they now are to where they would be a commanding factor in reducing the price of everything that everybody wants to buy and at the same time raise wages and prices for farm products. A tax on land values only would do just that, and no other tax would be needed.

Aberdeen, S.D. CHARLES J. LAVERY, M.D.

"THE progress of rivers to the ocean is not so rapid as that of man to error."—VOLTAIRE.