

principle, whether in all ways it is just and equitable or the opposite.

Let us take the self-evident truth that all wealth is the product of labor applied to land and held in abeyance "assisted by capital." Let us consider the return wages and rent and prove out if possible that interest is the just return of capital. Disregarding economic theory entirely, what is meant by interest in the ordinary processes of production and distribution? It is a payment additional to the amount of a loan. Note that it is interest we are considering, not the rate by which the amount is determined. A bird's-eye view of production and distribution, viz., business processes, may be obtained by examination of the main elements of a typical balance sheet. A balance sheet gives the condition of a corporation or other form of business at a given time and is the result of income account and supporting data over a previous period. On the debit side note fixed and current assets, on the credit side liabilities and balancing items. In the net current positions we have movables, such as cash, goods, etc. These are labor products (cash is equivalent) and constitute legitimate capital. In the fixed asset position we have a different picture, land and buildings and other immovables. The last two are labor products and therefore legitimate capital. Land is another thing entirely; labor did not create it nor has any one ever had the right to exclusive ownership. Land is the source of wealth and while it may be capitalized it is not capital. To the extent that economic rent is not taken in taxation it may be and is capitalized and it is this value that appears in the balance sheet. Conversely if all economic rent were taken in lieu of taxation, or, which amounts to the same thing, if all land (capitalized) value were taxed to the amount of the economic rent, that capitalized value would be approximately zero in the balance sheet. This is the "spurious capital" referred to and would any follower of Henry George consider interest on such as other than spurious?

On the other hand, consider labor products as appearing in the balance sheet. In the case of buildings would any one question this interest return? If so, would they question as expense payment on the use of the buildings if ownership were retained by the builders and used by the operators whose balance sheet we are considering? Or take the machinery produced by manufacturers of machinery who retain ownership, would any one question an expense account as in the use of the buildings? The net return on either is interest. It is compensation for loss of what is termed in law "enjoyment," viz., *use by the makers*. It is payment for use (in time) of labor products, legitimate capital, and it is therefore natural and just and if not paid must be charged to charity instead of equity.

C. H. KENDAL.

NOTE BY THE EDITOR

We want to add a few words to what Mr. Kendall has written. With much that is confused as interest-payments swept away, or clearly identified as rent, and with increase of lenders and decrease of borrowers—a condition resulting from more equitable distribution—it seems clear that the rate of interest—payments for the loans of capital—will decline.

But does this mean that interest itself will decline (interest being the result of added efficiency due to capital), or, as George contended, rise as wages rise? There is no real contradiction here, since, under more equitable distribution there will be a great increase in the number of owners of capital, with results that are easily predictable.

So whether George is right or his critics are right makes little difference. If interest goes to the owners of capital and everybody has capital, it would seem that the matter is bound to work out satisfactorily under *the natural laws of equity*.

If to go into business, or to make additions to existing businesses, men borrow capital, and by reasons of such loans prosper, equity demands a return to the lender. If the right to such a return is denied the transaction, as Mr. Kendall happily suggests, is one of charity.

What seems to worry many of those who question the justice of interest is its supposed perpetuity. Thus our friend Mr. Stewart

in a communication received subsequent to the letter which appears in these columns, writes: "I have just sold two Lehigh Valley R. R. bonds granting that for all time the owner will receive four and a half per cent interest." That this is pure interest we have to deny.

These two Lehigh Valley R. R. bonds are bearer receipts for capital lent by Mr. Stewart to the railroad. The Lehigh Valley R. R. uses that capital in transportation services (production). There is no perpetuity in the contract that can be carried out unless the railroad is allowed its land value capitalization in perpetuity, in which case it takes more than its present bond interest out of the public.

Conversely, should the land value be taken in taxation it destroys the capitalization set-ups by the railroad. Improvement values go back to the land within thirty years, and, like any other contract, this one depends upon the ability to perform.

Perpetuity on any loan simply does not exist. The explanation why it does not is the changing character of investment, the dissolutions that follow new set-ups in industry, the mutations of ownership, and the fact that capital wastes faster than the rate of interest.

Our aim is, and Henry George's remedy will secure it, work for all, production for all, capital for all. If interest then rises it will go to the owners of capital who will then be (with poverty abolished) all the people. If it declines it makes no difference either, for it will have been absorbed as wages.—EDITOR LAND AND FREEDOM.

CUT TAXES AND REDUCE CARRYING CHARGES

EDITOR LAND AND FREEDOM:

Kindly allow me space in LAND AND FREEDOM to comment on Milo Perkins' article: "Grab the Torch—Men of Means—Grab the Torch," in *The Nation* for November 28. It is truly a call for action that Chambers of Commerce should heed; a distinct contribution toward the solution of our maladjustments. But his suggestions concerning a higher wage might, I believe, be somewhat modified by a more careful study of the limitations of price "fixing," of any kind. Wages, and the price of all commodities will seek and find their proper level, if and when statutory and other obstacles are removed. Taxation is the chief obstacle.

Recall the sensation created by Henry Ford when he first raised wages to a minimum of \$5.00 per day. It attracted the attention of many economists and sociologists. The great scientist, Dr. David Starr Jordan, made a special trip to Detroit to study the innovation and evaluate its potentialities. Mr. Ford accorded the Doctor every assistance needed to make a survey, and when it was completed he was horrified to learn that his gesture had actually lowered his employees' wages 43 cents per day. He asked Dr. Jordan why that was so and was told that the dealers in living necessities, and landlords in Detroit had raised prices and rent to absorb the rise in wages; that the law of "supply and demand" governed, and might not be ignored with impunity. High wages will buy no more goods and services at high prices than low wages will buy at low prices. The Doctor advised Mr. Ford that if he wanted to help his wage earners, he and they must get control of supplies and housing and reduce prices therefore. That is what they did, but it should have been done first. By neglecting to set the stage in the right way before the act, he hurt his own employees, and *all* consumer-workers in Detroit. He had not thought the proposition clear through before acting.

Raising wages arbitrarily, or "pegging" prices for anything does not work. It is reversing the natural order and will always do harm, as it has in the past, whenever tried. First, attack cost and squeeze out every cent of overhead that is possible. Some cost items should be eliminated entirely. Taxes are one. All adjustments made, in cost of production and distribution, are reflected in prices and wages. Take all taxes out of prices; and wages *must* rise. Herein is the law.

If carrying charges were cut fifty per cent, the present wage could buy twice as many miles of transportation; and the price of all consumers' goods would drop twenty-five to fifty per cent. Ask dealers in lumber and coal, flour and other heavy freight. The buying power

of wages, salaries and farmers' products, would rise accordingly. That is the right way to raise wages. Congress can make that adjustment in the first few days of the next session, by underwriting *all* tax levies against *all* of our carrier facilities, in exchange for a substantial cut in rates, approximately fifty per cent. That measure of relief *must* be financed by a Federal levy of one per cent on *all* land values, urban and rural, irrespective of *all* improvements. Such a tax cannot be passed on to consumers, neatly wrapped up in prices, as are all other taxes except inheritance tax. It would reduce the price of land, thus making possible new housing and slum clearance without aid or benefit of HOLC or PWA. It would also enable tenant farmers to buy back their farms. Some at least.

That step would remove two of the major obstacles to recovery: Exorbitant freight rates, and profiteering in land. It would allow the natural laws of "competition" and "supply and demand" to act freely and work wonders. Natural laws are potent and usually assert their supremacy, even above acts of Congress. Ask your readers to get busy writing their Senators and Congressmen, urging a shift of *all* taxes now levied on carrier facilities to *land values* in exchange for a fifty per cent cut in rates. This action by Congress should be early next session.

Aberdeen, S. D.

CHARLES J. LAVERY, M. D.

DIFFERS WITH THE EDITOR

EDITOR LAND AND FREEDOM:

1. Is it really necessary to kill the Henry George Congress in order to advance other methods of propaganda?

2. Is not the field large enough and the workers few enough to permit every man to choose his own methods?

3. If your estimate of ten thousand dollars spent on the recent Congress is correct does not that prove a demand exists for the Annual Congresses?

4. If they were discontinued, do you think ten per cent of that would be used to buy scholarships?

5. Your suggestion of nation-wide local meetings on Labor Day is good but why should that depend on killing the Congress?

6. Knowing Single Taxers as you do from over half a century of intimate and unselfish work with them do you think anyone can force them to abandon their own plans and ideas to adopt yours?

7. Remembering how disorganized the movement was when the first of these Congresses was held are we not deeply indebted to Messrs. Evans, Williams and their associates for starting and continuing them?

8. Would not the work of John Lawrence Monroe and of all other workers suffer if the Congresses were discontinued?

Bolar, Va.

WILL ATKINSON.

REPLY

To paragraph 1, the answer is no, but it seems to us imperative that we consider a somewhat different programme for these Congresses.

To paragraph 2, the question is not one of individual work, nor that of permitting every man to choose his own methods. For the Congress is cooperative work in which all should join, and this has been the aim of Secretary Williams from the beginning.

To paragraph 3, we do not think that the money spent proves anything. The Congresses may be worth while but money spent in traveling expenses does not prove it.

To paragraph 4, we can only say that we do not know.

To paragraph 5, we would say perhaps not, and to paragraph 6, we really do not know. But to paragraph 8, we think not.

To paragraph 7, we would reply that we are deeply indebted to Messrs. Williams and Evans for their splendid and devoted service in calling together these often fine and representative Congresses. But we do not recall that the movement was disorganized before

the Henry George Foundation was started, nor that we have now an entirely complete and satisfactory organization.

But this is all beside the point. There is no criticism to be made of those in control of the Henry George Foundation. Our statement was a plea for a vote to consider what might be done to improve the character of these Congresses by the elimination of much that does not belong there, and to perfect existing organization.—Editor LAND AND FREEDOM.

WE MUST BE PRACTICAL

EDITOR LAND AND FREEDOM:

All science is but natural law.

Economics is a science, a natural law.

The Single Tax is a practical application of economics.

Our autos are made scientifically. We were practical in making good roads for their use and rules for safety.

What is the most practical way to put the Single Tax in operation?

Judge Ralston is practical in bringing economics in discussion by a tax amendment in California. He is showing that State the way. The importance and the practicability of the amendment is that it makes it possible for many to see what we are trying to show them.

St. Louis, Mo.

E. H. BOECK.

THE "PUBLIC'S" TRIBUTE TO FRANCIS MAGUIRE

EDITOR LAND AND FREEDOM:

Permit me to quote the following editorial entitled "Faithful Over A Few Things," which appeared in *The Public* for Jan. 14, 1916, concerning the late Francis W. Maguire:

"Early in the Single Tax movement a man joined the Chicago Single Tax Club for the purpose of aiding a cause dear to his heart. He could not make speeches, nor carry on a public debate, and he had little money to contribute. The first thing he found to do was to stand at the door, and hand out tracts to those who attended the meetings. Presently he added a few pamphlets—which he sold at cost. Then more pamphlets, and paper covered books were added, and finally a few bound books. All related to the Single Tax, and all were sold at the lowest price that would sustain his venture—without pay for himself. And so this earnest man coined his heart's enthusiasm into service for his fellows by distributing literature. Week after week he has stood behind his little stock of books, tracts, and pamphlets. If the stranger could not buy a book, a pamphlet was suggested. That failing, a tract was pressed upon him. Years have passed, the man's hair has turned white, yet still he attends every meeting of the Club, eager to supply the stranger with food for his soul, and setting high the standard of service for the many earnest working men and women in the Club. It will undoubtedly please the many people who have noted this fidelity to know that the commercial house in which he has labored in a humble capacity has recognized his faithful service by giving him a life pension. The Chicago Single Tax Club has had many zealous officers and members who have given of their time and their money; but no one has exceeded the devotion of F. W. Maguire."

What was said then could be increasingly applied as the years went on. Perhaps, it may be sufficient merely to state that on the day before he passed away, Maguire discussed with me plans to distribute more literature. In other words, he was faithful to the end, and to quote one of his favorite quotations, "with a faith that never faltered."

Pittsburgh, Pa.

JOHN C. ROSE.

CATCHING UP WITH HENRY GEORGE

EDITOR LAND AND FREEDOM:

Of course you have not failed to note the report of the National Survey of Potential Product Capacity. It appears in the first