

page 82, or appearing to say, that interest exists only in cases in which the capital is borrowed; and he contributes further to confusion and uncertainty by injecting into the discussion the matter of absolute and relative returns. Here he overlooks the fact that the interest question is merely a phase of the problem of ownership; a man's title to his product is in no way affected by the fact that his product has become capital. This is the assumption that led Karl Marx so far astray.

This confusion is compounded by the letters in these issues in which the writers comment on McNally's article. Here, too, some of these take it for granted that interest exists only in cases of borrowed capital. The letter of Henry P. Sage is faulty in this respect. C. H. Kendal's letter, excellent in some respects, is open to criticism; for he says on page 96 that "under equitable conditions" interest is inevitable. One might as well say that, in a just world, the law of gravity will always be operative. What has equity to do with the fact which Kendal himself states so well; namely, that wealth is produced by the application of labor to land, or by labor assisted by the tool capital. The question whether the claim of the owner of the capital is recognized, and the problem of evaluating that claim do raise a question in equity; but that is another matter, and it lies outside the science of economics. The interest is there, regardless of equities; and regardless of the question whether the operator is making money, or being useful to the community.

In his letter, page 133, Kendal makes a similar mistake in limiting labor to human effort directed to production. No physicist would think of limiting the term "force" to manifestations of nature having certain preconceived effects. Force is force, anywhere, always, under all conditions, regardless of purpose or effect. So labor is labor, regardless of circumstances. There are no "ifs" in science; and no contingencies.

Stockton, California.

L. D. BECKWITH.

MR. KENDAL REPLIES

EDITOR LAND AND FREEDOM:

I have read Mr. Beckwith's friendly criticism in the preceding letter.

In the next to the last paragraph he apparently is in agreement but feels that the phrase "under Equitable Conditions" is superfluous and that one might as well say "in a just world the law of gravity will always be operative" . . . Also he says the question of equity lies outside the science of economics. This is another exemplification of his well known view that the moral law has nothing to do with economics. In Blackstone's Commentaries, Volume I, opening chapter, one may note the basic definition of *law* is *natural* law as distinguished from human enactments, statutes and the succession of precedents, common law. Blackstone goes on to state that the aim of the human law is to coincide with the natural law and any violation thereof is in offence to both the human and the divine. Is the law of equity a natural law or does it come in the category of the human?

In his last paragraph Mr. Beckwith feels I have made a mistake "in limiting labor to human effort *directed to production*." Is not any other human effort outside the field of economics? "Labor is labor regardless of circumstances," but labor to walk, to run, to play, to make mud pies has nothing to do with economics. In economics wealth must be *produced* and that wealth must have exchangeability.

In an earlier paragraph Mr. Beckwith refers to Mr. McNally in his use of the word "obtaining" which he approves instead of the word "producing." There are many unproductive ways of *obtaining* wealth such as thievery, gift and inheritance, but it seems to me these should not be included in the Science of Economics.

In another paragraph he mentions ". . . a certain dollar is interest

. . ." I am sure this is only a slip on his part as I cannot believe he can consider a dollar as either interest, capital or wealth. However his meaning is clear but not altogether scientific.

C. H. KENDAL.

DOES CANONIZATION AWAIT HIM?

EDITOR LAND AND FREEDOM:

Bernard Shaw in the preface to his "Saint Joan," wrote:

"Many innovating saints, notably Francis and Clare, have been in conflict with the Church during their lives, and have thus raised the question whether they were heretics or saints. Francis might have gone to the stake had he lived longer. It is therefore by no means impossible for a person to be executed as a heretic, and on further consideration canonized as a saint." Vol. XVII, Collected Works of Bernard Shaw, p. 32.

Father Edward McGlynn was excommunicated in 1887 for refusing to obey the order of his superior to refrain from preaching the philosophy of Henry George. A few years later, after an exhaustive investigation of the writings of Henry George, Father McGlynn was reinstated and received a new pastorate. It took five hundred years for Joan to rise from burning at the stake for heresy and blasphemy to beatification among the saints. The philosophy of Henry George is being increasingly accepted; so it is not too much to hope that it will take much less than five hundred years for Father McGlynn to be numbered among the saints.

I enjoyed the personal friendship of Father McGlynn from 1886 until his death. He was not only a sincere, zealous and eloquent follower of the "Prophet of San Francisco" but a man of a sweet and sunny disposition. I therefore hail the publication of his life by Stephen Bell as the vindication of a great man.

Essex Fells, N. J.

FREDERIC CYRUS LEUBUSCHER.

MR. McNALLY ANSWERS HIS CRITICS

EDITOR LAND AND FREEDOM:

I note some comments in the July-August issue on my article ("What Is Interest?") which I think demand a reply.

D. L. Thompson states that if I am right in my opinion that what is termed "interest" is merely "compensation for risk," interest rates should be higher, as he believes "the element of risk has steadily increased since the last industrial breakdown." I am afraid, however, that such a belief is not substantiated either by fact or in theory. Anyone who has made a study of business cycles knows that the element of risk is greatest immediately prior to an industrial crisis, when speculation has driven values upward to the breaking point, and is lowest during the period between crises. It is the wise man who invests during this interim. Your readers will doubtless recall the fact that commercial interest rates just prior to the 1929 debacle were at a record height and gradually shaded off as a new equilibrium was being established. A few years ago at the low point of the depression, after the terrific liquidation of 1932 (when business failures were more numerous than in any other year), interest rates were at the lowest level—one-eighth per cent on call loans. Since that time they have been slowly hardening, corresponding with the increase in the hazards of doing business—not, as Mr. Thompson contends, since the "last industrial breakdown," but since the low point of the depression. They will continue to rise, for the risk element increases as we creep nearer to the next crisis. The great activity recently in the building industry is a sure indication that men with capital regard conditions now to be more secure than they were just prior to or immediately after 1929.

As for Mr. Thompson's claim that the element of time accounts for "interest," I would like to refer him again to my article, for he has