

Of Interest

By DON L. THOMPSON. *Tax Collector of Spokane County, third most populous in the great apple and timber producing state of Washington, the author of this dissertation on the economic factor of interest is none the less an ardent Single Taxer. He says he has been one for nearly forty years, and there is no shred of evidence that his views are undergoing any change. He writes: "I have not lost sight of the difference between community-made values and labor-created values in the valuing of property here for taxation purposes. My only regret is that the tax laws of my state do not permit me to carry further the Henry George economic program."*

* THE ARTICLE ON INTEREST by Paul Peach in the September FREEMAN was not without interest—no pun intended—but involved. In one paragraph we are told that there is a law of Interest. Later the writer implies that Interest is but a part of wages, and finally we are informed that it arises when, and only when, the possession of capital confers a bargaining advantage. To me this is confusing and contradictory but perhaps I have been unable to follow his reasoning.

On the other hand I agree with Mr. Peach that the reproductive-forces-of-nature theory of Interest is untenable. I have never been able to understand how a man of Henry George's ability as an economist could have failed to see the fallacy of such a theory. It is the only weak basic link in his economic teachings. While he did a splendid job disposing of some of the generally accepted Interest theories of his time, he was just as unsuccessful in his efforts to determine the true cause of Interest.

Any contributions to production made by the forces of nature are entirely gratuitous. These forces contribute nothing to the *monetary* value of labor products. Any monetary value which may be added to wine during its aging period, to the calf during its growth into a cow, or to a swarm of bees as it increases in size is traceable entirely to the labor which is *ordinarily* required to maintain the storing of wine, to the rearing of cows from calves, and the care of bees. The fact that some calves may become cows unaided, or that some bees may add to their number and produce honey without the assistance of human labor, in no way disproves the general rule which we have referred to as the *ordinary way* of adding value to such articles of trade. Now if this argument is sound, then the producers of wine, or the raisers of cattle and bees would enjoy no advantage in production over the producers

of planes or any other labor product. As long as there is competition in these fields of industry, we can rest assured that it will be impossible for them to reap any unearned increment because of any part played in production by the reproductive forces of nature.

Now as to whether or not there is a real natural law of Interest, I will confess that I have not been able to make up my mind. If there is, it grows out of the *element of time*. Time, as we know, is a most important factor in the satisfying of human wants. People want things now, not a year or twenty years hence. While they may be able to produce those things for themselves, that, too, takes *time*, which involves self-denial over perhaps a period of years.

In order the more quickly to satisfy their wants, which may be for a home, an automobile, or machinery with which to carry on production, isn't it reasonable to suppose that they would be willing to pay a premium over and above the replacement cost of such labor products? I am inclined to believe that they would, and that such a premium is Interest. What is more, I cannot conceive of a time when capital will ever become so plentiful that no one will need to borrow, or use the capital of others.

Now, from the standpoint of the lender—it would seem that the chance to earn Interest tends to encourage the storing up of capital in excess of personal needs, which makes it possible for those needing capital but having none of their own to obtain it from others, have the use of it. If the payment of Interest has worked any hardship on borrowers and users of capital not their own, it is only because they have not been able to earn enough in the way of wages to meet this extra charge.

I am convinced that if Interest is natural, it is because of this *time element*, and that it represents a *payment for the saving in time*. If it cannot be justified on this ground then I fear we are going to be forced to admit that there is no natural economic law of Interest; that instead, Interest is but the result of man-made monetary laws, as the anarchists and socialists have always contended.

The question of tariffs is the most important problem in the world today. It is universally admitted that tariffs are the main cause of world trade depression. Tariffs are strangling international trade, keeping millions out of employment, reducing the purchasing power of the nations, and breeding international hate.

VISCOUNT SNOWDEN, 9/30/32