

has violated these primary laws, that we mistake effect for cause, and constantly manufacture laws to fit the emergency. In other words, we do not trace effects to causes, and thus we borrow trouble. It is like worrying about the astonishing growth of the individual. If he weighs nine pounds at birth and twenty pounds later, how big may he not become at the age of one hundred? The growth of society is as natural as the growth of the individual; all it needs is to clear away the obstacles which obstruct its growth, and nature will assert itself. Draw on your imagination for some of the changes that will occur when rent is taken by society. The fear of want will be removed, and thus the natural law of progress will not be diverted from its proper channels to hoarding that which can be of no use to any one. Besides, the desire for power will disappear, and thus the unnatural desire to possess more wealth than can be consumed will go with it. What becomes then of your nightmare of interest?

LAND MONOPOLY THE BASIS OF INTEREST.

BY S. TIDEMAN.

In discussing interest as pertaining to present conditions, it becomes necessary to distinguish the commercial interest which capital yields to its owners, as owners, from that additional product of labor due to the use of capital, which George had clearly in mind when defining the economic terms. Wherever the word "interest" is used in this article, it must be understood as referring to the commercial grade, if not otherwise specified.

When we consider that "interest on money" renders to the owner wealth, which he takes no part in producing, and that his power to thus share in the fruits of industry does not decay or wear out, as capital does, but may increase indefinitely, if not infinitely, as time passes, it becomes clear that this is not a case of earning, but of private—which means pirate—taxation. The problem, then, to be solved is, how does this taxing power develop and maintain itself? The answer should go some ways to make the industrial and social phenomena of our time understandable.

The first thing to be noted is that the power proceeds from ownership, apparently the ownership of money. But ownership of money is potential ownership of capital—and of whatever the market affords. The mechanism of ownership must therefore be examined. It consists of three parts, land, capital and money.

Land is by nature limited in quantity and fixed in space. Being the source of, and the operating place for all production of wealth, a universal necessity, its possession carries with it the power to tax those who will or must use it—the cardinal power of sovereignty. As private monopoly, its taxing power capitalizes into a selling price. It is then a commercial asset—which makes the ownership of money potential ownership of land.

Capital is all produced by labor, and its quantity can be increased in-

definitely. But this implies that it may also be limited. Here we must look for the key to our problem. If the supply be limited to less than is needed, then ownership gives power to charge a rent for its use. And we shall presently discover that the capitalized monopoly places a definite limit on the production of capital—by competing for buyers in the market.

Money represents wealth or service which the owner (or whoever he properly represents) has rendered to society or its members, for which a like amount is due to him at his choice, as recompense. (In a rationally ordered commonwealth this would be strictly true to fact, though in ours it is only partially so). The spending directs and regulates production. When land is commercialized, then the owner of the money has, on the market, the choice between capital, and land with its capitalized rent. This alternative is potent of consequences. Then the money will be applied, or loaned, for industrial purposes, only at the same rate of increase that it will yield without work on the part of the owner, if he invests it in land. Thus is interest established, and that is the law of it. Interest is secondary (induced) rent. It is generated and regulated by the land monopoly, except, perhaps, as favored by special laws or transient conditions.

The economic purpose of capital is to increase man's power to produce wealth. Its commercial purpose is to increase his power of acquiring wealth. With a revenue yielding monopoly on the market, as an alternative choice for his desire, the two purposes do not coincide, as otherwise they would. Capital is necessary, and so much of it will the market absorb as will yield the same unearned revenue for the money, as does the monopoly, and no more. To such a quantity will its production be limited. Any increase which threatens the equilibrium becomes overproduction, a glut in the market which retards industrial activity until necessity again makes it the more promising object of acquisition. Thus does the taxing quality of land induce a like taxing power in capital, by automatically and continuously limiting its production to a famine quantity, which maintains between the two an approximate equality in the profit, the taxing power, of mere ownership.

This also accounts for interest being higher in new countries than in the old. Aside from land speculation, it is largely a case of short supply.

When government assumes its duty, its primary prerogative, of appropriating the taxing power of the land for the public service, not merely will speculative holdings end, and the land revert to the users—that would be partial relief—but the removal of the capitalization, the unearned revenue, from the market, removes the limitation on the production of capital. A first effect of the heightened industrial activity may be a rise in the rate of interest, resulting from the inadequacy of capital to the increased demand. But production and distribution will proceed unrestricted until every worker is supplied with all the capital that he has any legitimate use and desire for, all that his labor entitles him to. Then will interest pass away, when nobody wants to borrow. That will cease to be even respectable. Profit will be reward for risk and applied abilities. Rich people there will be, and poor

folks too, neither rich nor poor enough to worry or suffer, but all comfortable. The masters and the dunces, the workers and the shirkers, will all find their proper level and the due honor of their merit.

Just as commercial interest is secondary rent, so is that which George defined as "Interest on capital" (economic interest?) cumulative wages, which capital yields to labor only. Possibly the terminology may become altered, but, even so, it was probably the best that could be made at that time. If he failed in his efforts to disentangle the phenomena of interest, he made it possible for us to do so, and to him belongs the credit.

Land is the foundation of everything human, the basis of all social order and adjustment. But in a commercial society, like ours, the monopoly of land is no longer the active force. Its importance lies in its surpassing potentiality. It is the main lever—and the misplaced lever—by the means of which the power of money becomes supreme. The credit, investment and corporation systems, which have grown out of the monopoly, are all parts of one piece, a sort of communistic system through which the owners of money become practically joint owners of the sources and the means of production. The commercial capitalization of the land values and of the services appertaining to the use of the land—the natural taxing power of the country—is the system-sustaining root on which its vitality depends. It is therefore aptly called the capitalistic system. In subjecting land and its public appurtenances to the manipulation of money, it subjects and controls capital and its production also, and those who are dependent on its use for their standard of living. To this system all industry must pay tribute, which in various shape constitutes rent for the use both of land and of capital. In the terms of moneyology—banking terms—all of this rent is called interest.

Land is the first essential for all production of wealth, and its possession is necessary to the producer even at the cost of interest on the purchase money. When land yields interest to money, the capital must do likewise, to justify its existence. This interest takes from the borrower and gives to the lender something for which the latter does nothing in return. It is at first hand a clear waste. If this were all, it would be the end of its evil, and the measure thereof. But such is not the case, for with usury thus firmly established at the base of industry, the power of money quite naturally grows upon what it feeds, until it absorbs, not only the capital which the workers produce, but finally the land itself, making their slavery as complete, and often as cruel and demoralizing as bodily ownership would be.

When we consider that interest is paid on the cost of the land and of capital and paid cumulatively at every stage in the production of wealth, from beginning to end, and then, on top of that, public taxation on the total amount—is it any wonder that the distribution is carried on under difficulties which give cause for complaints over the high cost of living? And all of this to no purpose whatever. How could a more barbaric, cumbersome and costly system be devised for a free people? Whenever our troubles become acute, when the workers' children are crying for bread, and the loafers

worried by their money, then do our wise men start whittling on a tariff which, no matter how high or how low, can have no appreciable effect on the result of such a system, but merely shifts some gratt from one set of pockets to another. Such is the present quality and measure of our civilization.

In the rudest of social and industrial stages, the labor of the people provided them an abundance of necessary supplies, save in times of elementary misfortunes—and allowed them leisure besides. If such had not been the case, the race would long since have perished. With our modern appliances multiplying, by hundredfold and thousandfold, man's power to produce wealth, we may confidently expect that all will be bountifully provided for, when a just and natural economic system releases the resources of the land to the energies and ambitions of its workers of high and low degree, in a manner which secures to each the fruits of his labor.

INTEREST AND THE TIME ELEMENT.

BY THOMAS HUNT.

In the Symposium on Interest in the June REVIEW perhaps there was something left unsaid when the causes for interest were given. The active powers of nature, the principle of growth, etc., may be the chief causes.

But it deserves to be noticed that most of the people who claim that interest is unscriptural and wrong because they say that money has no power of growth, forget that money is interchangeable for all the instruments, products and forces of nature and art, and that as a matter of fact when a man borrows money he proceeds at once to exchange it for the materials and forces of nature which he needs in the pursuit of the business for which he borrows it.

Money itself is useless and unproductive unless exchanged for those things which are needed for consumption, or for those things which contain the active powers of nature or the principle of growth.

But these facts are not known or are forgotten by the people who oppose the payment of interest. They would consider it wicked if I should lend a man four thousand dollars cash to build a house and insist on his paying me two hundred dollars per annum for it, but these same people would say that it would be entirely just if I would furnish the man with stone, brick, lumber, hardware, etc., of value of four thousand dollars sufficient to build a house and insist on being paid two hundred dollars per annum for same until the principal was paid. They entirely forget the interchangeability of money for all kinds of productive wealth.

But to come to the unmentioned cause of interest. It may be stated in these words: Borrowing and paying interest enables a person to obtain NOW, AT ONCE, the enjoyment of something very desirable which otherwise would have to be postponed perhaps for years. This might be instanced in the building of a home. If a young man has saved money enough to buy a lot and wants to marry and begin making a home NOW he can do so if there is someone who