SIMPLICITY OF THE INTEREST QUESTION.

BY JAMES BANN.

Most of the writers on interest, whose productions have appeared in *The Single Tax Review*, seem to make the subject unnecessarily complicated. The answer to the question, is interest equitable, may, I think, be simplified.

Wealth is produced by labor and properly belongs to the laborer. Interest is a part of the wealth which is produced by labor, but which is obtained without labor by someone other than the laborer. The interest taker obtains labor products without giving labor products in return. This last needs no proof, and of itself should render superfluous much of the speculation in regard to the, so called, law of interest.

In proving the wrongfulness of landlordism, Mr. George imagined a landlord sleeping for twenty years, as Rip Van Winkle did, and, although there was no question of his having produced anything, he nevertheless on awakening finds himself richer by twenty years rent. But, if Rip had had his money out at interest, would he not have been similarly enriched?

Mr. George says: "The right of ownership, that springs from labor, excludes the possibility of any other right of ownership" (Book 7, Chap. 1). Again he says: "Whatever is received as the result or reward of exertion is wages." Clearly the "reward" of sleeping may be interest as well as rent. The people have been divided by Mr. George into "workmen, beggars and thieves." Under which head does the interest taker come?

The attempts of the government to fix the rate of interest proves that, collectively, we regard interest with suspicion. Between the lines of all usury laws may be plainly read the consciousness of the people that the interest taker has, somehow, an unfair advantage and needs to be arbitrarily restrained. If wheat went to $1.50 a bushel, who would think of preventing the farmer from getting it, but if the market rate of interest rises to 10 per cent. it is a legal crime to take advantage of it. If wheat fell to 25 cents many would regard it as a calamity, not to the farmer alone, but to the country. How different would be the feeling if the rate of interest fell to 1 per cent. It seems close to a certainty that interest can not be taken without trenching on what ought to be and what might be somebody's wages. Assuming this to be true, the questions, can we rid ourselves of it and how, are the only ones to be considered. Following the subject a little further brings us to the more difficult part.

With the ground cleared as Mr. George cleared it, to identify interest as something that ought not to be, was, it seems to me, comparatively easy. To decide on a rational working plan to get rid of it is a different proposition. The first stumbling block seems to be here. While there is a strong family likeness between interest and rent as referred to above, there is also a decided difference.

We can properly say to the monopolizer of land, you must not charge another for using the earth; but we can not say to the taker of interest, you shall lend your money without interest. This would be outrageously arbitrary for it is admitted that the money is, justly, his.

This shuts us off from dealing directly with the case for the reason, as the facts seem to indicate, that land monopoly is an original or primary invasion of rights and may be dealt with directly, whereas interest is merely the result of a preceding invasion and not the invasion itself. If it is true as some Single Taxers think, that interest has its source in landlordism, then there is no separate interest problem.

This was, for several years, my own way of thinking.

Permit me to mention a few of the things which produced a change of mind. It will be noticed that interest in the majority of cases is paid for the use of money and not for the use of capital. True, to possess capital in some form is usually the object of the borrower, but it is not to the owner of the capital, which he will use, that he pays interest, for this capital is not borrowed at all, but is bought outright with the borrowed money. The same thing occurs when capital is bought directly from the owner of it and interest is charged on deferred payment.

This last is borrowing money and buying capital from the same person. Another point is this:

A man borrows $1,000, not because he does not possess that much wealth himself, for he must, as a rule, have more in order to furnish security for the loan.

Here then is a man with, we will say, $1,500 in property, borrowing from one with but $1,000 in money.

Is it not plain that it is not the greater wealth of the owner of the money, which places him in the superior position, but the form in which his wealth is embodied. (For convenience I here speak of money as wealth which, of course, it is not). The point to which I wish to give prominence is that the man who owns the medium of exchange, is, for that reason alone, placed in the superior position; and the indications are strong that it is the unnatural scarcity of the thing in his possession which furnishes him his vantage ground.

Now if the business of issuing money was, as Mr. Byron Holt (seemingly all unconscious of being, as I think he was, in the presence of the arch culprit —the money-issuing monopoly) suggests, as free as the grocery business, competition among issuers of money would, no doubt, reduce the charges, for temporarily converting one's property into money, to the cost of the transaction, interest proper disappearing.

That interest is here traced to the government monopoly and restrictions on the issue of money, at least gives the solution an air of probability, for is not monopoly of some kind the cause of all economic ills?

Under present conditions the lender may be said to do the borrower a service and interest is a fair price for it. As to this, a service which represents no burden to the server, may properly be regarded with suspicion and besides free money, as here assumed, would relieve the borrower from the necessity of seeking the service *at the price*. Money, meaning good money, costs next to nothing to produce, so that where men are willing, apparently, to pay $1.06 for $1.00 borrowed, the security being unquestioned, it seems certain that money lacks fluidity, or its natural flow is being interfered with. If where the city government furnished water, we found a large number of people buying water from others and paying a premium, we would be justified in thinking that there was something wrong with the government's methods and we would feel sure there was favoritism somewhere. Whether what has here been said helps to clarify the interest muddle or not, the money issuing business should be free and Single Taxers, without neglecting land monopoly, should allow no one to precede them in advocating its freedom, for is not freedom the goal of the Single Tax?

No cry of "wild cat" or "rag baby" should be permitted to shake their faith, for neither "wild cat" nor "rag baby" money was free. Nothing has been said of that interest which forms a part of house rent, for this looks like a case where interest is paid, not for the use of money, but for the use of capi-

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(NOTE.—We fear that the Interest question is not as simple as Mr Bann would make it. If payment for the use of capital—interest—is naturally persistent "free" money would not remedy the evil, whether such evil be real or imaginary. In such case, the quality of increased return to the lender resting upon the greater desirability for immediate use, convenience, time-saving, or whatever body of determining factors may definitely be assigned as the cause of interest, would, though still persisting, fail to communicate itself to money freely issued, and supplied on any terms we can conceive. Such money would then be worthless money. In other words what deceives Mr. Bann are the confusions arising from a consideration of money. Interest is a quality attaching to commodities and exchange; it is not a quality of money, but because it is a quality of exchange communicates itself to that which is the medium of exchange.—THE EDITOR.)

tal. However this may be, if free money will cause interest on money to disappear, all interest must go, for who would pay a house owner interest when he could borrow and build for himself, paying no interest.

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INTEREST; IS IT NATURAL?

BY A. FREELAND.

Primitive man digs roots and picks berries with his fingers and climbs the tree after fruit. One fashions a sharp stick with which to dig roots and secures a club or long pole with which he knocks or pulls down the fruit from the tree. With these primitive forms of "capital" he produces twice as much as the man with his bare hands. The example set causes such capital to become common. The return due to the use of the capital is economic interest. A man by self-denial and hard work makes a spade and by its use produces twice as much as the man with the sharp stick. Who will deny this man the right to the returns due to the use of his spade? Another man comes along and offers half of the returns due to the use of the spade to its owner for its use. The offer is accepted. This is commercial interest. The borrower increases his income fifty per cent. through the use of the lender's capital. The lender foregoes one-fourth of his income, and applies himself to making another spade. So long as he has no monopoly in the manufacture of spades or of the land which yields the materials of which spades are made, all others will have an equal right to make spades.

The Single Tax on land values furnishes the only plan which will guarantee to all their equal right to make spades without paying tribute to others. If all were equally free to make spades or to exchange equivalent service for them, would any but the shiftless continue indefinitely to pay interest for the use of spades?

No law for the regulation of interest is just. Such laws are based upon a lack of knowledge of fundamental principles underlying the subject.

Labor produces all wealth, including all capital.

Through the private appropriation of rent and the shifting of taxation to labor, some men are enabled to rob other men of a part of the wealth, including the bulk of the capital they produce.

The robbers* lend the capital back to its producers for a consideration—(commercial) interest, or they hire its producers—laborers, at wages, to use their own product—capital, which has been stolen from them, and pocket the increase—(economic) interest.

If rent were appropriated by the state there could be no class (either landlord or capitalist) to rob labor of any part of its product. It follows that labor would be left in undisturbed possession of *all* its product—wealth, including capital. Then labor, the producer of all capital, would receive the return from the use of such capital—(economic) interest.

Under the Single Tax it is highly probable that voluntary co-operation of laborers in production would be the rule. Co-operating laborers would displace "capitalists," (men who live without labor on interest) and the latter would be recognized, together with landlords, as parasites.

Immediate application of the Single Tax would cause a great demand for capital, which might sustain the interest rate temporarily, but the ready accessibility to the resources of nature, coupled with the unburdening of industry,

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*The opprobrious terms—robbers, stolen, parasites, etc., are meant in the economic sense, and not as reflecting on individuals who profit by present conditions are no more responsible for those conditions than are those who lose. The evil is institutional.