

INTEREST

A Theory of Interest. By Clarence Gilbert Hoag. Published by the Macmillan Company, New York. 1914. Price, \$1.50 net.

This is an ambitious book, and, if its conclusions are correct, an important book. Mr. Hoag attacks his problem with courage and vigor and quickly shows a readiness to take issue with authorities. "Every theory of interest advanced hitherto with which I am acquainted, is not merely incorrect in detail but inadequate essentially." It is a commendable feature of the book that the theories thus adversely criticized, including those of Bohm-Bawerk, Senior, Carver, Marx, Turgot, George, Landry and Tucker are stated at considerable length in the words of those holding them.

Mr. Hoag's own theory of interest could hardly be stated here in terms that would be intelligible without reference to definitions and explanations to be found only in the book itself. "The thing whose price is interest is not a good; nor is it a service in the sense we have given to that word; it is rather the postponement of the consumption of a good or service." Referring to certain geometrical demonstrations or illustrations of his views he says: "Besides the objective and the subjective factor of value, therefore, which constitute what may be called the two economic dimensions of a good or service, this postponement whose price is interest, has a third dimension, time. Geometrically speaking, therefore, it is a solid, whereas the value of a good or service is only an area or plane."

"For this three-dimensional thing whose price is interest we need a short name. I proposed to call it an advance."

In developing his theory Mr. Hoag finds occasion to suggest other names for some now in general use among economists. Thus, he proposes to discard "utility," preferring the word "opportunity" suggested by Pareto, but offering as a still better term "non-normal values."

It is not to be supposed that these extracts will be clear as they stand; in fact they will convey what is probably a correct impression that the book will have to explain itself. They may indicate that it is not intended for the general reader but for the economic specialist.

Yet Mr. Hoag recognizes clearly that the general reader must be reached, though perhaps he expects to do this, not directly, but through teachers and leaders of thought.

"Millions of men," he says, "now call themselves party Socialists in countries where that party is committed to the Marxian doctrine of interest, according to which interest is due to the exploitation of wage earners by capitalists." And he deems it important to impress on these millions his conclusion that "provided only a per-

son's capital is equitably his own, his title interest accruing from it is as good as the title to the earnings of his hands."

But he appears to see that not everything that passes as capital is equitably the property of the legal owner.

"To put it more concretely, I mean by privileges such things as titles to the valuable services of land sites, the value of whose services is due only infinitesimally to their owner and chiefly to the good citizens of the entire community; I mean such things as unearned exceptional advantages in the use of ores or oil that no man made, or in the use of railroad rights of way that the whole public contributed to set aside for common uses; and I mean by privileges such things as the power to charge buyers prices higher than they would have to pay if free to buy, without customs duty restrictions, of any seller they pleased."

Again: "Most rent is dependent on wages or interest, being in fact merely the wages of the public's labor and the interest from the public's investments to which inequitable laws and customs permit individuals to get title—"

And he reaches the conclusion that the present owners of land titles should be bought out. It may be said that his discussion of this question lacks the novelty to be found in some other parts of his book, and if his argument has not yet been conclusively answered, it is unlikely that it ever will be.

WILLIAM E. McKENNA.

PAMPHLETS

Taxation Blunders and the Remedy.

Professor Lewis J. Johnson has put into pamphlet form his article which originally appeared in Harper's Weekly, entitled "Taxation Blunders and Their Remedy," published by Massachusetts Singletax League. Frances G. Goodale, Secretary, 53 State St., Boston. Price, single copy, 3 cents; ten copies, 25 cents; 100 copies, \$1.00. At the outset Professor Johnson shows the fallacy of the idea which he calls the fundamental blunder that public expenses must be paid from private earnings. He shows that there is natural revenue in the annual rental value of land. This belongs to the public, he says, not because "it is unearned by the land owner . . . but because it is created and earned by the public." He disposes of the ability-to-pay theory of Taxation in the following compressed argument: "It makes no distinction between ability to pay due to having served the public and ability to pay due to having plundered the public." Concrete facts as well as abstract arguments are given. It is the kind of article likely to be carefully read by anyone seriously seeking light on the Taxation question.

S. D.



It was at a theater in Manchester. The king, aged and infirm, was blessed with two sons. He was