

long as production yielded a surplus to the capital spent therein. Turning to the idea of capital per se it will be manifest that economic and even intellectual progress is dependent on accumulation of capital and without interest or profit on capital there is no accumulation. Land and labor are, to be sure, the origin of capital, but only as the latter in co-operation with the former is growing and thriving, do labor and land also progress in strength and productiveness. Whether capital is to co-operate directly with the individual "parent," or by him to be put into the service of other people as the disinterested and obedient "son" who always brings his wages to his "parent"—that is a question which we must leave to any person and any time to solve for themselves.

ANOTHER VIEW OF INTEREST.

(For the Review.)

By J. H. SHEETS.

In one of the numbers of the SINGLE TAX REVIEW Bolton Hall "ventures to think" that the adoption of the Single Tax would cause the rate of interest on capital to fall, which is contrary to the teachings of Henry George. For some time I have ventured to think as Mr. Hall does, but I have never ventured to say so. Among Single Taxers to question any of the doctrines of Henry George is much the same as to question the decalogue. But of late I have come to believe that the question of interest ought to be discussed, and if Mr. Hall's position is found to be right—and that of Henry George wrong, our articles of faith should be revised. One of the objections to the Single Tax philosophy urged by the Socialist is this doctrine of interest, which, if correct, proves that under Single Tax conditions, it would be possible for the owners of capital to live without labor and to pass on to their descendants the power to live in idleness at the expense of others. To me it would be most welcome if some one competent to present the truth clearly could prove that under full Single Tax conditions economic interest would disappear.

In my own mind I am convinced that interest, aside from that portion which may be considered insurance against loss and also the wages of superintendance, is merely one form of rent, and that if rent were eliminated by the adoption of the Single Tax, the owners of accumulated capital would be willing to lend it without interest and perhaps even pay the borrower for caring for their wealth and returning it unimpaired at a specified date.

Henry George asserts that interest is just and natural because capital has the power of increase—that in some forms, as wine, it becomes more valuable with the lapse of time, or as in the form of domestic animals or growing crops there is an increase in value without continuous labor on the

part of the owner, or in the advantage which capital has in exchange enabling the owners thereof to secure an increased value without labor above that required to effect the exchange.

I confess I am not able to ferret out the fallacy which it seems to me lurks in this exposition of the subject, but his reasoning is obscure and not convincing. In fact the author of *Progress and Poverty* goes far to disprove that interest has a basis in justice. He very effectually proves, in the familiar illustration of the planes and planks, where William borrows a plane of James and at the end of the year returns a new plane with a plank for interest, that in such a transaction there would be injustice. The plane, at the end of the year would be of no more value than at the beginning. But he holds that in some forms capital has the inherent power to increase in value with the lapse of time and therefor the owners of capital in any form are entitled to the average increase.

It is true that wealth in some forms will enhance in value as time passes, but it is also true that much wealth, and I think the bulk of all wealth, begins to deteriorate as soon as it is produced. If we are to credit capital with the enhanced value which some forms of it gather as time passes we must also charge it with the losses sustained by other forms, and I think no one will maintain that, on the average, all capital enhances in value with the lapse of time. Wine improves with age as, for a limited period do wheat, lumber, cordwood and a few other products, but in most of these the increased value is offset by the loss in shrinkage and waste as well as the expense of care-taking and insurance against loss by fire and theft. But the vast bulk of all wealth not only does not gain a value with the lapse of time but with more or less rapidity deteriorates. Implements and machinery, mills and factories, railroads and equipments, ships and buildings rust and decay unless constant labor is expended upon them. Vegetables, fruit, meat, poultry and dairy products are of value only a few days, weeks or months at most, and are of most value when freshest. Domestic animals must be disposed of at maturity or they "eat their heads off." On the whole it is most unreasonable to hold that interest arises from the power of average wealth to gain a value with the lapse of time. It is more reasonable to suppose that the owners would gladly pay the borrower for using their accumulations and returning them unimpaired when they wished to use them.

Another reason given why interest is just is that the reproductive forces of nature can be utilized with the aid of capital and bring to the owner a return above that for the labor expended. One may set out bees and at the end of the year there will be additional swarms and a store of honey. "Or," says Henry George, "supposing, where there is a range, I turn out sheep, or hogs, or cattle; at the end of the year I will upon the average have an increase." But the swarms of bees and honey come only to him who dilligently and with much knowledge and experience cares for them. The increase of sheep, hogs and cattle must be conserved with labor and transported long distances from the ranges having no rental value to the markets, else it is of no more value

than the wild gains of the forests and plains. Whatever of advantage accrues to the farmer or stockman whose crops or stock grow into value while he sleeps or goes on a journey comes to him only as the possessor of the land and must be properly assessed as rent.

Henry George cites the fact that in new countries wages and interest are high while rent is low, while in older settled communities where rent is high wages and interest are low. This would appear to prove that the surplus product after rent is deducted goes by value to labor and capital as partners and that rent robs both labor and capital. But these phenomena do not square with the explanation of interest as given in *Progress and Poverty*. Wealth produced in a new country has no more power to increase with the lapse of time than that produced in older communities, and the reproductive forces of nature or the advantages of exchange are no greater in the one than in the other. If I should venture to explain the difference in interest rates in new countries and old, I would say that interest is higher in the new country because the rental value of land is advancing much more rapidly than in the old. The owner of wealth in any useful form can exchange it for land or town lots or a water power site in a new settlement with the certainty that its value will double or trebble in a short time, while lands in the older communities advance in value but slowly. The owner of wealth can command interest for the use of it, not because it has the power of increase, but because he can buy land with it and collect rent. If, under the Single Tax, the possession of land would afford no profit except to the man who puts it to its highest use, is it unreasonable to suppose that interest would vanish?

The author of *Progress and Poverty* devotes a chapter to what he terms spurious capital and the profits derived therefrom which are in common speech called interest. This spurious capital is in the form of stocks and bonds which do not represent true wealth but privilege in some form. But the vast sums which are thus taken from the product of labor are not true interest. They are of the nature of rent—a tribute paid by men to the owners of privilege, for the opportunity to labor and produce wealth. Suppose that by the adoption of the Single Tax and other cognate industrial reforms, all these opportunities for investment were cut off, would not the rate of interest be likely to decline? Capital at this time commands but three or four per cent. for gilt edge securities which are exempt from taxation, and it would appear reasonable to assume that were all opportunities for investment in privilege eliminated, the rate of interest would reach the vanishing point and even go below it and become a minus quantity. The owner of surplus wealth would seek some one to use it and return it unimpaired when comes the rainy day, or even pay the borrower for utilizing, while it has a value, wealth that would inevitably go to waste unless consumed within a short period.

This paper is written for Single Taxers who are familiar with the definition of the terms "wealth," "capital," "interest" and "rent," as given by Henry George. To the general reader, who thinks interest is what the borrower pays for the use of money and who considers land, bonds and stocks as capital, this discussion would be confusing and meaningless.