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GEORGE L. RUSBY
AGENT
THE NORTHWESTERN MUTUAL
LIFE INSURANCE CO.

NEW YORK OFFICE 452 LEXINGTON AVE.
MY NEWARK OFFICE 9 CLINTON ST.
RESIDENCE TOWACO, N.J.
TELEPHONE CONNECTIONS

Towaco, N.J.
Jan. 27 1941

Dear Mr. Dorn:

I have written a letter to Mr. Chodorov, and intended to write you also. But on coming to do the latter, I find that what I would say is just about what I've said to him. So, instead of writing separately to you, I'm going to send you, herewith, copy of my letter to him. It is the only copy I have.

Would you like to make notes of the items covered, and return the copy for my files, so that I'll know what is what, when you and he reply?

With best wishes,

Sincerely, Rusby.

11428

OKD
January 31, 1941

Mr. George L. Rusby
Towaco, New Jersey

Dear George:

I agree with you when you say that the collection of interest on loans is secondary in importance to that of the saving of wealth to be used by the owner for the purpose of increasing his production, which while thus used is capital, while the increase of wealth occasioned by the use of this capital is interest. Therefore the return on the use of the wealth while being used in production is interest regardless of whether it is paid for the loan of capital by one individual to another, or whether it is used by the owner in the process of production.

Since setting up the above from my own deductions I have gone over this question of interest with Paul Peach here in the office. In addition to being one of our best advance course teachers, Paul is also the assistant editor of the Freeman, but more than all this he is a student in the highest sense of the word, and if I must at the same time pay you a compliment I could do no better than to say that Paul agrees with you in the essentials of your statements, and differs only with some of the minor details. Paul will most likely write you on this subject, but whether he does or not I should like to see you two fellows get together. I am sure this will be the means of working out a satisfactory solution to this problem.

Yours very sincerely,

OKD:v

O. K. Dorn

OKD

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Towaco, N.J.

Feb. 1 1941

Dear Mr. Dorn:

I hasten to reply to yours of Jan. 31, in which, ~~you~~ after expressing agreement with me as to the chief purpose of saving wealth for use as capital, you take direct issue with me regarding a point which constitutes one of the very essentials of my position in re: interest.

You say "-----", while the increase in wealth occasioned by the use of this capital is interest." No, No, No! You admit that the chief purpose of capital is to increase production; isn't what labor produces, labor's wages, after deducting what labor had to surrender to landlord as rent, and to Capital as interest? And how much of product must be surrendered for interest? ONLY SO MUCH AS THE RELATION BETWEEN SUPPLY OF, AND DEMAND FOR, LOANABLE CAPITAL, AT ANY GIVEN TIME AND PLACE, FIXES AS THE LOAN RATE, - WHICH WILL BE THE SHARE OF PRODUCTION (WEALTH) GOING AS INTEREST. If, as you say (I must believe that you said it inadvertantly), all of the increase of wealth "occasioned by the use of capital is interest, practically ~~if~~ all of the wealth today produced, or that will be increased at any time in the future, is interest, ~~only the smallest modicum being wages;~~ for nearly all of the wealth now produced is excess over what would still be being produced if the most primitive methods of production were still employed.

I tried to make this plain in my article on interest; is it not plain to you, that my position MUST be sound, when you give it second thought?

I will be very glad to talk with Mr. Peach. I am exceedingly glad that you recognize, with me, the importance of reducing the interest question to simple fundamentals, as in the case of rent and wages. Nothing in connection with the School is more important. The truth is there, awaiting agreement as to it, and if there is no agreement, we, ourselves are responsible. Let us remain "on the job", till the job is finished.

With best wishes and appreciating your cooperation in the matter in hand,

Sincerely,

George L. Rusby.

February 5, 1941

Mr. George L. Rusby
Towaco, N. J.

Dear Mr. Rusby:

Mr. Dorn suggested that I drop you a line. He just came in, after an absence from the School of several days due to illness, and he expects to go to Cleveland tomorrow.

I have been a feeble voice crying here in the School for some three years now, that if we do not agree upon a logical and consistent theory of interest which we can present to our students, we shall lose many of the best of them. You can't think how gratifying it is to learn that some other people feel the same way.

In the main, I have worked out the same idea that you have. The motive which leads men to accumulate capital is undoubtedly the fact that capital, as wealth, has the power to satisfy desire -- in particular, the desire to produce more with less effort. The hope of receiving interest is certainly not the unique incentive which some students think it. There are other motives, too: the desire to save for one's old age might be one. I don't think we can assume that wages and interest must necessarily rise and fall together, and in an economy of plenty, in which people generally would use their own capital rather than borrow, I can even conceive of a reversal of the procedure we are accustomed to -- a payment not by a borrower to a lender, but by a lender to a borrower.

Nevertheless, in our present state of information

OVER

all this is pure speculation. We don't know what people will do in a free economy. All we can do is enumerate the possibilities. This, I gather, is the view you take.

I do hope that we shall soon arrive at a point where we, as a School, can announce that we have a theory of interest which accords with the principles of a free economy and is not inconsistent either with logic or with facts. Not until then shall we be justified in saying, as we do, that we alone correlate the laws of distribution. Indeed, it speaks ill for our view that economics is a science when we are not able to settle such a question -- one which, in my opinion, is elementary in character and involves no difficulty.

Mr. Dorn tells me that you are here at the School from time to time; I look forward to meeting you when you make your next visit.

Yours truly,

Paul Peach

0130

February 23, 1938

Mr. George L. Rusby
452 Lexington Avenue
New York City

Dear Mr. Rusby:

Your letters of February 17th and 21st on the subject of interest at hand. I would say that the illustration on the yellow sheet enclosed with your letter of the 17th seems to be sound.

The illustration that you gave me in the Schalkenbach office last Thursday in which you said that the twenty-five or fifty cents received for the use of a horse was pure interest does not in my opinion represent pure interest since the matter of risk and insurance is most certainly a factor that cannot be ignored in this case.

The definition you give in which you say "wealth received in return for the LOAN of capital" will not suffice because it totally ignores the capital that I happen to own and use in my business, which is an important factor in the production of wealth even though it has not been borrowed.

Very sincerely yours,

OKD:vab

O. K. Dorn

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7-21/38

Dear Sir -

Since writing you last I have discovered
an error in the reasoning by
which I had thought to discover
an instance where I could

locate the factor of
interest - or rather, a flaw
from which
If you
instance let

Since writing you last I have discovered
an error in the reasoning by which I had
thought to discover an instance where I
could positively locate the factor of true
interest or rather, a flaw in the premise
from which I reasoned. If you can find
an instance let me know.

Yours truly,
George L. Rusby

Rusby

1888

Illustration showing what interest is.

1888

Return of capital lost or used up	Rent 1 to landholder (Insurance 1/8) (Replacement 1/8) To owner of capital Interest 3/4 Wages 6
	<u>8</u> Total product

(Of course, the relative figures are purely arbitrary.)

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Towaco, N.J.

Feb. 27 1938

Dear Mr. Dorn:

I am interested in learning through your reply to my letter of Feb. 23, that we are in agreement that one instance is at last found, whereby we can demonstrate that interest is actually paid, by segregating it from the mongrel mass with which it is almost universally included. I had almost despaired of being able to do this. To contend, as is sometimes done, that "there is no such thing as interest", is, I take it, to really contend that the Rate of interest is zero. But even granting that it were NEVER possible to isolate interest so that it could be definitely identified as such (which we have done in the instance cited), how could it be proved, starting with that premise, ~~that interest is never paid~~ that interest is never paid, or ~~that~~, on the other hand, that it IS sometimes paid? *There would be no proof*

Now, as to the best definition of "interest": You are right in holding that the def. suggested by me ("that part of wealth received in return for the loan of capital") does not cover the ~~case~~ situation where the owner is likewise user. I was aware of this. But the same objection applies to our definition of "Rent". In explaining the latter to a class, it is always necessary to explain that when the owner is also user, he, as user, pays the rent to himself as owner; this explanation must go with the definition. It could be originally included, if we wished to make the definition lengthy enough, but it has always seemed preferable to limit the length as we have, and then explain the above detail, as occasion might demand, - in fact, yet another ~~definition~~ explanation has to go with the definition of rent, for that which is paid for permission to use land is not ALWAYS rent, as in the case of what is paid for permission to use land that is used for consumptive pleasure only.

In the forthcoming edition of my booklet, I may, if room is available, add a footnote, covering these explanations, as to both rent and interest *(this is the situation where interest cases are the same)*.

But compare the use of the above definition with that of the one that is commonly used, and that I have always used, - "what is ~~paid for the~~ received in return for the use of capital". You were not present when we discussed interest at the School, about two months ago, one Sunday P.M.; about 40 were present, all advanced students, some teachers, some super-teachers and some future teachers. Without exception all accepted the old definition; yet, when I placed on the board the legend copy of which I sent you, showing exactly what interest is and must be, and asked first for a showing of hands as to how many accepted that as true interest, and then, how many objected, there was a total of 9 hands raised, divided between 5 affirmative and 4 negative. The other 31 had no intelligent idea at all as to what interest is. It is obvious that our heretofore used definition is absolutely worthless, - worse than that, for it makes confusion worse confounded. What is paid for the "use" of capital, as we have said, is actually what is paid for the opportunity or privilege to use the owner's capital, which privilege is granted through a loan of the capital. Should we continue to use the word "use", capable of various

interpretations, when we have at hand the word "loan," which is entirely free from ambiguity?

It seems to me that this is not a mere detail, but a matter worthy of the most serious consideration of all of us. "Use" is interpreted by one reader to mean permission to use, by another to mean what is gotten by the use, by a third party to be some sort of a combination of these, and the great multitude have no idea at all excepting of the most vague character. Mr. Chodorov told us that in one class-room the teacher was promulgating one theory of interest, and in another room another theory was being propounded. Isn't this ruinous? Georgists are supposed to be economists and to understand their subject. Shall we continue to use a definition that contributes toward confusion, or adopt one that is clarifying?

Always with best wishes and kind regards,

Sincerely,

George L. Rusby

Do you think that our definition of "rent" should be made more nearly complete by adding ~~three words~~ three words, making it read "that part of wealth received in return for permission to use land used in production"

Mr. McNally is to address a group of our Newark graduates at the class-room, Friday evg., next, Nov. 4, 951 Broad St.; perhaps you would like to be present? Come along if you can and care to. Subject "Interest"

If we use the word "use" in defining interest the difficulty you cite is the same as when using "loan," the situation where owner and user are the same.

R.

014

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Towaco, N.J.
March 11 1939

Dear Mr. Dorn:

Finding you a willing victim, I'm going to inflict on you another presentation, in re; "Rent, Wages & Interest".

But seriously speaking, I have a very good opinion of your knowledge of economics, and want to see whether you go along with me in my endeavors to clear up some of the most important points, regarding which Georgists are at odds. I think it most serious, that Georgists, who consider themselves masters of the "science" of economics, differ so essentially. It casts reflection on our contention that we, the elect, are right.

I have no ambition to prove somebody else to be in error; nor to simply prove that Rusby is right. what I do want, is to present such clear demonstrations of the truth, that all can see what the truth is,- that all may have the same mental pictures; to the end that we may not be viewed as teaching different doctrines. That is why I give much thought, analytical, careful thought, to these points of difference.

What I ask of a critic, and what I ask of you, is, that my position on any given point be thoroughly understood, and either basically undermined, or fully and intelligently endorsed,- and taught.

Thanking you for your cooperation, and hoping to hear from you,

Sincerely,

George L. Rusby

March 17, 1939

Mr. George L. Rusby
9 Clinton Street
Newark, New Jersey

Dear Mr. Rusby:

Let me report briefly on the several papers you so kindly submitted for my consideration.

The Function of Government

The Function of Government is absolutely OK. and if our teaching of Henry George does not cause our students to arrive at a similar conclusion then I feel our efforts will have been misspent.

If I were to add anything to this paper it would merely be to say that "it should not be expected of government to see that justice be done to its citizens, but rather that 'injustice be done its citizens'. This may be considered a rather fine distinction, nevertheless I feel it is important. No

Rent

"Why is it that though rent is included in prices it does not increase prices?" I am in complete agreement with you in this article.

Interest

I find it impossible to disagree with you in your treatment of the subject of interest, in fact I think you made an excellent job of it and I am especially impressed with your concluding paragraph beginning at the bottom of page 3 and continuing on page 4.

10/10

Your definition "Interest is wealth received in return for using capital". It is certainly more accurate than "for the use of capital" which might imply permission to use.

Now Mr. Rusby if in making these few simple remarks you notice that I am not yet clear please come back and set me straight.

Yours very sincerely,

OKD:v

O. K. Dorn

F

B

April 18, 1944

Mr. George L. Busby
Towaco, New Jersey

Dear George,

I wish to say first that I appreciate your consistent endeavor to bring about unanimity in the teaching of the principles of economics in our School, and I feel that you also know that while I may not have the comprehensive grasp and thorough understanding of these finer points that I should have, nevertheless I feel sure you will bear with me if I ask a few questions that may help clear up some of the mist that befores my mental apparatus.

I of course know that the study of political economy has to do with the production and distribution of wealth, yet I am not entirely clear on why it is necessary to completely separate labor expended in the production and distribution of wealth, from the labor expended in rendering personal services. If it is essential to make this separation, is the line of demarcation sufficiently clear to separate completely the two kinds of labor?

For example: A telephone operator facilitating in the making of calls for industry and commerce as well as for social calls. We could name many others.

If all labor expended in rendering personal services were suddenly to cease, production would undoubtedly slow up materially. Would this not indicate that a vital relationship exists, and that personal services do, indirectly if not actually aid in the production of wealth?

For example: If there were no one to teach my children at school, I should have to take time out of making shoes in order to educate them.

If you will set me right on these points, I may be able to work my way through the rest of this maze.

Thank you.

Sincerely yours,

O. K. Dorn

GEORGE L. RUSBY
TOWACO, N. J.

Towaco, N. J.
April 19 1944

Dear Mr. Dorn:

Seldom have I received a letter that I appreciated as much as I appreciate yours of the 18th, just received.

I will not duck or dodge the questions you ask; but if a discussion is to be constructive, we must not begin at the top, but at the bottom, on some common ground as a foundation, and then build upward.

And so, if you will permit, I will do the questioning for the present at least. Later, I fully believe, the questions now put by you, will automatically answer themselves, as well as all others along the same lines.

I suppose you still have on hand a supply of the most recently printed book-marks used at the School; but to provide against the possibility of of this not being so I enclose a copy. And my first question is, do you accept every statement, definition, etc., just as presented?

If not, will you please designate any to which you take exception, and submit your amendment or amendments to same?

I think it safe to take it for granted that agree with me, that "a thing is equivalent to the sum of its parts". That is basic to a discussion of the questions you pose.

I will try to put my questions in such a way that they can be answered very briefly, and the answering of which will demand as little as possible of your valuable time.

Very sincerely,

George L. Rusby
George L. Rusby.

GEORGE L. RUSBY.
TOWACO, N. J.

Towaco, N.J.
April 20 1944

Dear Mr. Dorn:

In my letter to
enclosed list of definitions for your you, of the 19th, I
revision to suit. I neglected to in acceptance, or
production- which same I now hand you include the definition of
a.

At the recent meeting
the Schalkenbach you stated that getting ~~my~~ of the Ex. Com. of
appraisal of the Ralston Ms., per you were withholding your
of it, than you had up to that adding a more careful reading
copies of which are sent to the time given. I enclose my report,
I will be interested in knowing other members of the Committee.
passed the Ms. along to Greening whether you are in agreement. I
shall have read it. The gulfe, and it will be available after he
is impassible- they are diam between Georgism and Socialism
justice, the other on the metrically opposed. One is based on
is, of dishonest intention, however innocent the Socialist himself
stands the principles of us. There is not one of them that under-
can be aware that social economics and that therefore ~~however~~
that extent. am to any extent whatever spells theft, to

With
best wishes,

Sincerely,

George L. Rusby
George L. Rusby.

GEORGE L. RUSBY
TOWACO, N. J.

Towaco, N. J.
April 19 1945

Dear Dorn:

Many thanks for your encouraging lines of the 15th. Though we have not yet gotten fairly started, the reports thus far received, encourage the belief that the E.S. Correspondence Course, as planned, will be popular.

One of the important objects in view, aside from the "true" and "false" feature, was a system of conducting the Course, that would involve the least possible work and trouble for the Home Office. As we have arranged it, any ten year old girl, of ordinary intelligence, could keep it rolling. Naturally, there will be some correspondence that will develop, but that is another of our objects- to answer in simple but convincing language any and every question that might suggest itself to the student,- to answer his inquiries in advance.

But there is something infinitely more important involved,- that is, the question of sound economics. I wish that you would serve as a special committee of one, to search every page and every word, with microscopic eye, in search of the slightest inconsistency or self-contradiction. There are various points, in regard to which the doctrine is at variance with what is taught, in general, at the N.Y. School. Somebody is therefore teaching falsehood. If it is I, I want the fact demonstrated to me. If, on the other hand, there are no falsehoods taught in this Correspondence Course, falsehood is being taught by those not in agreement. In either case, do you not think that Mr. Dorn should actively campaign on one side or the other?

As I have before assured you, it is not a question of putting my views ahead of those who are not in agreement. It IS a case of confounding and enlightening those whose views are SELF-contradictory,- those who teach things that are at variance, and both of which cannot be true. When self-contradictory doctrine is taught, it will not do to drift along in any old way. Somebody must voice objection. This is no more pleasant for me, than it would be, for somebody else. But one who has loved the School from its very inception, and who is aware that a School of Science cannot stand on solid ground, when putting out self-contradictory doctrine, cannot supinely hold silence. How about contributing your help? It is a serious matter.

With best wishes and again thanking you for your letter,

Sincerely,

George L. Rusby
George L. Rusby.