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Henry George and the Causation of Interest

By HARRY GUNNISON BROWN

HENRY GEORGE'S contribution to the understanding of the rent of land and its significance in our civilization and to the working out of a clear and well-considered policy of land-value taxation was outstanding. His explanation—or attempted explanation—of the causation of interest on capital was not.

A correct theory of the causation of interest sharpens the distinction between land and capital and the distinction between land rent and the interest yielded by capital. It therefore makes for a more effective and convincing presentation of the land-value-tax argument. It clarifies the contrast between the philosophy of socialism and that of a sane and self-consistent capitalism. A clear presentation of the correct theory by the men and women who are interested in and eager to promote, by teaching or otherwise, the cause of land-value taxation, might well mean that fewer of those whom they have "almost persuaded" will later drift confusedly into the advocacy of socialism.

Two facts are vital to a correct theory. One is that, in general, we can produce more by following a roundabout process. That is, we can, in general, produce more if, instead of making directly the goods we desire to consume, we first produce other goods—buildings, trucks, locomotives, fruit trees, etc.—from which, over a period of time, we expect to get help in producing the goods and services we ultimately desire.

The second important fact is that such a "roundabout" process, involving the production of *capital* as an intermediate step, necessarily involves *saving, i. e.,* we must, for a time, produce *more* than we consume. We must *wait* for the capital to yield its net return and, indeed, we must wait even for it to yield back its cost.

It is to be noted, further, that if one man must have—or greatly desires to have—all he can earn from day to day to satisfy present needs or wants and so cannot afford to *wait* or just does not wish to, he can be provided with the means of meeting these present wants or needs through the *saving* of another—or others—who does the waiting in his place. This is not to deny Henry George's pronouncement that wages are not drawn from capital. In general, the laborer is not paid prior to his production of an equivalent *value.* But it is none the less true that the laborer who is engaged in building a flour mill or planting an apple orchard or constructing a cotton cloth factory must usually receive food and clothing *before* these are yielded by the *capital* he is engaged in making. Unless he can and will take his wages in the form of a share or shares in the capital he makes, and will *himself wait* for what the capital will later yield, *someone else* must give up to him the goods he needs and assume the *waiting, i. e.,* some person (or persons) other than himself must *save* in order that the laborer may spend his time wholly in the making of *capital.*

From such facts as have been stated in the last three paragraphs above we can develop a theory of the causation of interest.[1]

How can a fisherman increase his catch? Perhaps by building himself a boat that enables him to go where the fish are most plentiful. But to build the boat he must save, *i. e.,* he must produce, for a time, more than he consumes. The boat is, of course, an excess of his production over his consumption. If he consumes each day all that he produces that day, the boat will never materialize. The larger daily catch after the boat becomes available must be regarded as partly a repayment of the labor of building the boat and partly interest, the extra return made possible by the new capital over what all the owner's labor, past and present, could produce without it. Wherein can his enjoyment of this interest, this extra return made possible by his own saving, be objected to? Whom is it supposed that he is robbing?

How can a farmer increase his crop? He may work to fertilize his land or he may irrigate it or he may plant and bring to maturity an orchard. With the fertilized land he can produce more each year than if the land were not fertilized, and still more, perhaps, if it is irrigated. With the planted orchard he can make his labor of future years more productive in the getting of fruit. But in each case he has to save, *i. e.,* produce for a time more than he consumes. His extra production is not of wheat, corn or fruit but is greater fertility or moisture in the soil, or growing fruit trees. These things are produced *in addition to* what the farmer consumes. He produces them in additional working hours beyond the time necessary to produce his own current means of livelihood.

When, thereafter, the farmer enjoys the larger crops made possible by the fertilization of his land or by its irrigation or by the planting of the fruit trees, all[2] of the excess above what the labor spent in improving the farm could have brought him if applied directly to current crop production, is a return on capital, an interest return, an extra income made possible by his saving. Let those socialists and those pinkish literary intelligentsia who contend that the income received by the owners of capital as such, is a robbery of the masses, explain for us what masses or what individuals the farmer of our illustration is robbing? In what sense does it take something away from others, for the farmer to save and thereby to make possible a larger production on his farm in future years? What person is made poorer by the fact that the farmer's soil is now richer or more effectively watered than before? In just what way does it injure the masses of working people or "deprive" any worker of "the full product of his labor," when the farmer's orchard begins to bear fruit and the farmer receives, thereby, gradual repayment for his temporarily wageless labor of planting, plus an excess which may properly be called interest or income on capital, the reward of his saving and a consequence of the fact that, by saving and thus accumulating capital, we can usually produce more wealth than if we did not save?

The principle involved here is precisely the same when, as is commonly the case, the person who saves does not himself construct the capital but provides the means, from his saving, for someone else to do it. Thus, suppose the farmer of our illustration, whom we shall now call Noren, does not himself fertilize his farm or install the irrigation system or plant the trees, in his extra time (beyond that necessary to provide for the immediate needs of himself and his family), but instead uses that extra time to produce an excess of wheat, potatoes, carrots, peas, etc., beyond his own needs. This excess he gives to another, whom we shall call Fenton, in order that the latter may be free to improve Noren's farm. Fenton, we may suppose, needs the potatoes, peas, etc. He wishes to—perhaps needs to—consume currently all that he can produce. If someone does not provide him with the potatoes, peas, etc., he must spend his own time producing them. He can afford to work the requisite number of days fertilizing Noren's farm or making an irrigation system for it or planting trees on it, only if he has something to live on while doing so. If Noren gives him for his work all the potatoes, carrots, peas, etc.,

(Continued on Page Four)

[1] The following seven paragraphs, which first appeared in the late Joseph Dana Miller's *Land and Freedom,* are now part of §5 of Chapter XII of my *Basic Principles of Economics,* second edition, Columbia, Mo. (Lucas Brothers), 1947.

[2] But see note at end of this paper.

A Word With You

By ROBERT CLANCY

Economists of today have just about abandoned the idea that economics is a science. Which isn't such a startling revelation—they've long been behaving as though it wasn't.

The situation is reviewed by Stuart Chase in his new book, *The Proper Study of Mankind.* Mr. Chase, in addition to his own testimony, quotes a number of authorities who agree that economics is not a science—which leaves them free to disagree about everything else.

This contention is supported by some pretty shoddy thinking. *The Economist* of London observes that, whereas the physical sciences have their basis in facts, economics has to rely, not on facts, but on certain psychological assumptions, most of which are wrong. Why it should be impossible to find economic facts is hard to understand. Surely they are there. We have no better intellectual or sensory apparatus to check chemical facts than economic facts.

Elton Mayo is quoted as having uncovered the "fallacies" of the laissez-faire school. With the bland assumption that we've tried it for a century and a half, it is smilingly easy to conclude that "laissez-faire has failed." What these concluders don't seem to understand is that laissez-faire as originally conceived by the Physiocrats (and why this obstinate refusal to study the original doctrine?) involves a much more severe social discipline than is found either under socialism or under the system we have enjoyed for the past sesquicentenary. Equal rights come in the same package as laisssez-faire.

Another authority, S. Howard Patterson, is quoted by Mr. Chase as saying, "There are no natural laws of human society to impede our progress . . . Natural rights behind which vested interests once lurked have been discovered to be only shadows." These extraordinary statements would require a phrase-by-phrase parsing. Who was the Columbus who discovered those shadows? What vested interests lurked behind natural rights? We always supposed that natural rights meant equal rights. If there are no such rights, why bother vested interests?

We are grateful to know that we can now sprint down the road of progress unchecked by natural law. The present state of affairs in the world is a tribute to such thinking.

VIEWS OF THE NEWS

By SYDNEY MAYERS

Upon taking office, France's latest Premier announced he would immediately seek new tax sources. There is, M. Queuille, as there always has been, but *one* source of taxes—the people's pockets.

Ex-President Hoover, Chairman of the Commission on Organization of the Executive Branch of the Government, decrying the country's tax burden, urges "bold and drastic steps" to achieve greater government efficiency and economy. Mr. Hoover's first bold and drastic suggestion was that several more members be added to the Cabinet.

Says Britain's Chancellor Cripps, "There is only one way by which we can with a given volume of employment increase our real standard of living and that is by each of us producing more." Has Sir Stafford been learning a bit of Political Economy—the hard way?

A cogent news dispatch points out that Europe's economic woes, inflationary spirals and low living standards were born of the costs of two world wars. Observes contributor L. Leo Greenwald, "You cannot have a super-duper Fourth of July celebration every day of the year for ten years without paying for it somehow."

We are indeed happy to report that the War Assets Administration is offering for sale twenty-two obsolete military properties, including islands, forts, barracks, assorted buildings and even a lighthouse site. Now, please stop saying the government is doing nothing to alleviate the housing shortage problem.

The American Association for the Advancement of Science declares "the best hope of mankind's becoming one world in purpose and objectives is through the unifying influence of science." We are in accord, provided the learned gents mean the Science of Political Economy.

Our personal interest in the Illinois court decision holding the state Liquor Mandatory Fair Trade Act unconstitutional is (alas!) just about nil—save for one question. By what curious kind of semantics are price-fixing laws blandly labeled "fair trade" acts?

A trucking strike in New York brought about the prompt activation of an emergency food board; an oil workers' strike in California resulted quickly in a plan for rationing. Is there still any doubt as to whether we live on past or current production!

Some of America's leading "scientists," in meeting assembled, have expressed a dark view of the future, solemnly warning the world that its population is fast outgrowing its food supply. Maybe, as the song goes, Old Man Mose is dead—but Old Man Malthus ain't!

While the lugubrious population-and-subsistence theoreticians wail their pessimistic alarm, Wisconsin's noted Dr. Farrington Daniels cheerfully reports that within a century, bounteous supplies of food will be found in seaweed, wood and other unsuspected sources. It's good to see a scientist who sticks to test-tubes—and facts.

The American members of the new United States-British Council on Productivity will shortly "consider British production and labor problems with a view to increasing the nation's over-all rate of output." But wasn't the Labour Government supposed to show us?

From Belgrade comes the amusing intelligence that the root of Mr. Tito's suprising "Boo!" at Mr. Stalin was the sudden realization that the Soviet countries had been trading profitably with the capitalistic West, while the Yugoslavs (says The New York Times) "were played for suckers." Dialectics or no dialectics, it seems Yugoslavia is out to get some of those satisfying commodities its produce will buy on the markets of the outside world.

As a gesture of protest against national barriers, a young ex-bomber pilot has renounced his American citizenship to seek recognition as the first citizen of the world. "I can't go back to my normal life," he says, "till I'm sure there is a world left to work in."

Econo-quiz

By HENRY L. T. TIDEMAN

In one of the fundamental economics classes a dispute arose over the proposition that when organized laborers compel an increase in wages, prices must rise. Political economy and business economy are parallel sciences using the same terms, but often with the meanings at variance. For instance, in business economy wages are accounted as the cost of labor. In political economy labor is the only cost of wealth, which includes wages.

The current spiral of inflation of prices and wages arises from two occasions: one, the increased exactions of our body of government, a large part of which not only yields no return but is expanded in ways that hamper the labors of men in production, and the other, our greatly increased public debt. As these government obligations held by the banks and by others are converted into commercial credit available for speculation, without a corresponding increase in the production of wealth, this credit becomes an increase in the medium of exchange; and of course the prices of land and housing and creature comforts rise. The rise having taken place, the value of previously established money wages declines. Organized laborers then strike for more money wages in order to overcome a reduction in their real wages.

Now is such an increase of wages an increase in the cost of wealth? Manifestly no. It may be that those laborers who are the earliest in getting increased wages will be in position temporarily to take more wealth out of the market than they put into it; but when all the strikes will have been settled, though they will handle more money, the producers will be in the same condition they were before the "wage" increases were attained.

How about the unorganized laborers? They may lose temporarily; but so long as the margin of production is not depressed during the interim of the change, the law of wages serves to give them the same inflation in money values as the organized, so that in a very short time their products will be traded in the market for the products of the others, at the same ratio as before the inflation took place.

The preinflation \$5 hat which could be traded for a \$5 pair of shoes becomes the inflation period \$15 hat which trades for a \$15 pair of shoes. The real value is not altered. What tends to mislead us is the fact that larger figures follow the dollar signs.

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The Last Campaign

Charles Ingersoll and William McNair Died "In the Line of Duty"
Mr. McNair's Office Will Be Headquarters of Henry George School

ON SEPTEMBER 21, 1948, at the age of eighty-two, the colorful career of Charles Henry Ingersoll was ended. He died in Memorial Hospital, Orange, New Jersey, from a skull fracture sustained the night before when he alighted from his car to inquire directions and was hit by a passing motorist. With him at the time of the accident was Mr. J. Rupert Mason of San Francisco. The pair had attended the Decentralist Conference in Hershey, Pennsylvania, and were bound for Llewellyn Park, New Jersey, where Mr. Ingersoll had made his home with Mrs. Joseph D. Scheerer, one of his four remaining daughters.

Born on a farm near Delta, Michigan, in 1865, the son of Orville Boudinot and Mary Elizabeth Beers Ingersoll, the deceased came to New York as a boy of fourteen and went into business with his late brother, Robert. At first they manufactured and sold rubber stamps. Then, in 1892, they launched "the watch that made the dollar famous." This cheap, loud-ticking timepiece caught the fancy of the public and a hundred million of them were marketed before the firm, operating as R. G. Ingersoll & Bro., sold out to the Waterbury Clock Company in the late 1920s.

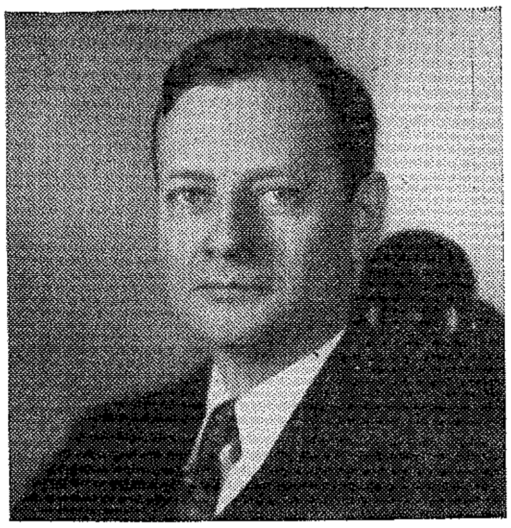
Mr. Ingersoll liked to reminisce that it was at his home in South Orange that Woodrow Wilson, then president of Princeton University, met William Jennings Bryan. The friendship ripened and Bryan nominated Wilson for President at the Democratic Convention which selected him. In 1934, Mr. Ingersoll, himself, made a bid for public office, running for Governor of New Jersey as an Independent, on a platform advocating reform "of our senseless tax system which punishes those who employ labor and capital."

For many years Mr. Ingersoll was director and president of the National Jewelers Board of Trade. Later he became associated with Industrial Tax Relief, Inc., the United States of Europe Association, the Joseph Fels Fund, the Henry George Foundation of Pittsburgh and the Robert Schalkenbach Foundation.

A chance street-corner conversation in 1880 led Mr. Ingersoll to the study of *Progress and Poverty* and thereafter he was in the forefront of Georgist activity. His first vote was cast for Henry George in the mayoralty campaign in 1886. An early member of the Manhattan Single Tax Club, founded in 1888, Mr. Ingersoll took a lively part in the club's work and in 1931 became its president. Although the club was dormant in recent years, Mr. Ingersoll continued to maintain an office at 1165 Broadway, New York, from which location he also published sporadically, a four-page paper called "democracy." During his lifetime, Mr. Ingersoll spoke over thirty radio stations and delivered hundreds of lectures in the United States and Canada, all on economic subjects.

Well known and admired throughout the ranks of those who labor for the advancement of the Henry George ideas, many will mourn with this writer the passing of an old friend.

—V. G. PETERSON



We opened our morning newspapers in New York on September 10th totally unprepared for the headline, "W. H. McNair, Ex-Pittsburgh Mayor, Is Dead." Under the St. Louis date-line we read, "He was scheduled to address a dinner audience here," and well we knew this referred to the St. Louis Henry George School Commencement on September 9th. It was probably the first appointment he ever made that he didn't keep.

Mr. McNair was mayor of Pittsburgh from 1933 to 1936, during which time he administered the Pittsburgh Graded Tax Law, with the result that Pittsburgh enjoys a distinct advantage over numerous multiple-tax cities. Because his associates during his term of office could not understand what he was trying to do, he introduced classes in fundamental economics to which public officials were invited. Richard Howe is one of many who came under the mayor's influence during that time and who has continued to work for the same ideas.

"McNair's death was a great shock to us, especially those of us who saw him frequently," wrote Richard Howe. "There was no effort too great for him to exert for our cause. He knew his heart was weak and he kept it to himself. Even Mrs. McNair did not know."

William McNair was elected to the Pennsylvania Legislature in 1944 and was a candidate for re-election to that body. He was a lawyer by profession, but he will be remembered by Henry George News readers as the motivating center of Pittsburgh's Georgist group. In "The Pit of Pittsburgh," an article which appeared in this paper in November, 1946, Mr. McNair stated that about three million dollars of taxes had been shifted from the small home-owner to the large downtown land speculator. In the same article he wrote, "Efforts have been made by the speculators to adopt the wage tax as Philadelphia and Toledo have done lately. A sales tax is also advocated. Why does Pittsburgh keep away from all these taxes so prevalent in other communities? Call it our folkway or custom or what you will, we steer clear of all of them."

Shorter articles have appeared in the News since, and always his ability to detect injustice and to reveal a hopeful solution, has been clearly evident. Often encouraging postals addressed to the editor in his familiar handwriting, would contain some such comment as, "the reading matter in your last issue is exceptionally good." On these was printed the warning: "Untax industry by taking community produced rent for community needs. Read *Progress and Poverty* by Henry George."

Frequently he made suggestions for wider promotion of the News, and though modesty prevented us from following up these suggestions or printing the commendatory statements, that did not deter him from keeping up a one-man campaign for new subscriptions. It is quite likely that we are indebted for nearly all our Pittsburgh readers to the Georgist who believed in backing up convictions with deeds.

A year ago, speaking to a small group in New York, Mr. McNair said, "A man does not need to sacrifice his business to take public office . . . he does not need to be a lone eagle, he has the truth with him and if he learns how to talk the language of the people and not use strange words, that truth will get people on his side.

"This is a democracy," he reminded us, "and some one has to hold public office. Other things being equal, a trained economist is the best man for running the government. If you believe that government should be run by natural laws, what harm is there in going to the legislature and voting for that kind of law, even if you stand alone? You are alone because those who think as you do, who believe in your ideas, bury themselves in a cloister and have a pleasant time contemplating the wonders of natural law and let others go out and take the knocks. Let us get away from the kindergarten concept and take our place in the battle line."

This willingness to give his strength and spirit for the thing in which he believed has characterized Mr. McNair's whole career. His untimely death came at the age of 67.

Letters from the ex-mayor, frequently undated, had an effervescent, hastily-conceived, hastily-executed quality. A recent one without date, is typical:

"If you use this do not mention my name, as my Mennonite friends do not believe in collects. [We are sure no one will mind now]

"The following new collect has been suggested as an addition to the prayer book:

"Almighty God, who hath revealed to us the laws of production by which we are sustained, grant us, we beseech Thee, such wisdom that we may understand the laws of distribution from the common fund to supply our common wants, so that we may live in peace and plenty.

"I submit this in all due reverence," wrote Mayor McNair, "for since the last revision of the prayer book, much new knowledge has been acquired as to the fundamental laws of living together, which if used would abolish poverty and war. It is unbelievable that an Omnipotent and All Wise Father would have established laws of chemistry, physics, aeronautics, etc. by which our production has been so greatly expanded—would have revealed these laws to us and made wealth so plentiful—and not have established laws for the just distribution of

(Continued on Page Six, Col. One)

(Continued from Page One)

that Fenton could produce for himself in the time he spends improving Noren's farm, how is Fenton in any way injured? How is he prevented from enjoying "the full product of his labor?" *It is Noren's saving that makes possible the improvement of the farm.* Fenton has lost nothing whatever. If Noren now enjoys the larger product from his farm which is the result of the improvement made possible by his own saving, in what way is he robbing Fenton? Fenton is at least as well off as he would have been had Noren not saved. And Fenton is certainly not prevented from saving on his own account,—if he desires to do so and can live on less than his current production. But, in the case we have been considering, it is Noren's saving that is responsible for the increased productiveness of Noren's farm.

Let us change the illustration somewhat, so as to make it both more complicated and more realistic. Noren, the farmer, does not directly give Fenton the wheat, potatoes, carrots and peas, but sells these crops for money (or bank checks) and pays the money (or checks on his bank) to Fenton who uses it to buy needed food and (perhaps) other goods. Noren, we may say, adds to society's available stock of consumable goods, receives money (in effect, tickets) entitling him to use up those goods or their equivalent, and passes this money, or a part of it (what he *saves*), to Fenton who buys therewith the consumable goods he needs and wants. Thus, Fenton does not have to spend his own time producing goods for immediate consumption but has his time made free—through Noren's saving—for producing capital.

And now let us illustrate the dependence of capital construction on saving, by a case still more complicated and one which pictures contemporary investment in corporate industry. A large number of Norens (so to speak), including farmers, bakers, tailors, coal miners, *et al.*, save, and invest in the stock of a paper manufacturing company which is about to construct a paper mill. The company hires a large number of Fentons to make the materials for the mill and do the constructing. The Norens produce more cereals, bread, potatoes, clothing, coal, etc., than they are themselves consuming. That is to say, they *save*. The money they receive for this excess (*i. e.*, the money they do not spend to satisfy their own current needs and desires) is paid for (invested in) stock of the paper company. The paper company pays it to the Fentons, who are enabled to buy therewith the excess of consumable goods produced by the Norens. Thus, the Fentons have their time set free for the construction of the mill, even though their circumstances are such that they need, or insist on having, in the form of consumable goods and services, all that they currently earn,—even though, that is, they themselves save nothing.

The saving of the Norens, in short, makes possible a construction of capital by the Fentons. The Fentons are certainly no worse off than if they spent their entire time producing goods for immediate consumption. They are paid, in money exchangeable for the excess consumable goods produced by others, all that their own labor could produce of such goods. The capital they construct could not come into existence without the saving of the Norens. It is the saving of the latter, their production of more than they consume, that makes the construction of the capital possible. If, now, this capital is truly productive, if it does really add to the output of industry an excess over what the labor and all the rest of the capital of the community could have produced without it, and if this excess goes, as return on their investment, to the Norens, who made the excess production possible, in what way have the Fentons been robbed?

When presenting the matter of the dependence of capital formation on *saving* to my classes, I emphasize over and over again that they must "get behind" (or pierce through) the "money smoke-screen". Men are so accustomed to talking and writing in terms of money, checks, bonds, stock, etc., that often they lose sight of the actual ultimate relations. I tell my students that it is no explanation of the relation of one's saving and investment to the making of capital, to say: "I saved some money and *put* it into a flour mill (or into the flour milling industry)." Such a statement, taken literally, might mean: "I saved some money, walked with it to a flour mill where there was an open window, reached in and laid the money inside."

Nor is it an explanation to say: "I saved some money and paid it to a flour milling company for some shares of stock and they used the money to pay men to build a new mill, and these men were willing to do this constructing *because* they expected to receive *money* for this work." The builders of the mill, unless they have some other source of income, must have at least part of their wages—and some of them must have *all* of their wages—in the form of food, clothing and other current necessities for themselves and their families. If all those directly producing food, clothing, etc. used up all of it as rapidly as they produced it, the *money* paid to the builders of the mill *would buy no food or clothing*, etc., because there would be none to buy.

The important point is that some of the producers of food, clothing and other goods for immediate consumption, produce *more* of such goods than they consume. They *put into* the current stock of goods available for immediate consumption, *more* than they currently take out. A farmer, a miller, a baker, a cobbler, a weaver, a tailor and a fisherman, let us say, produce a given composite of food and clothing. Each sells his product on the market for money (or bank checks) and then spends a *part* of this money taking from the market the food and clothing he and his family need (but not necessarily or usually the identical items he has produced, for the farmer can get some fish and some clothing, the fisherman some bread and some clothing, the tailor some bread and some fish, &c.). The remainder of his money he *saves*. That means he does *not* take out as much in consumable goods as he puts in. When and as, therefore, this *saved* money gets into the hands of the men who are building the mill, they can, by spending it, take from the current stock of consumable goods what those persons who are saving the money might instead be taking, but are not.

In discussing, in his *Progress and Poverty*, Bastiat's illustration involving James and William and the plane and planks[3], Henry George seeks to show that the lender of a plane contributes nothing to the borrower which can account for or justify interest. As all close students of *Progress and Poverty* who have puzzled over this chapter know, it was Henry George's opinion that *if* all capital were like planes, "interest would be but the robbery of industry"—which the socialists insist that it actually is for all capital—"and could not long exist."[4]

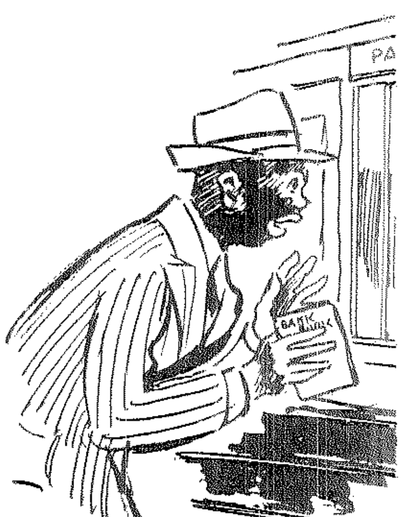
[3] Book III, Chapter III.

Although the production of planes is made possible only through saving and this assumed case can, therefore, be fitted into the line of reasoning followed in the paragraphs above, nevertheless the particular illustration is one which does not easily and simply suggest the explanation of interest on capital to the inquiring reader. It did not do so for Henry George. Since planks, like planes, are themselves instruments or means for the production of other wealth, *e. g.*, factories, stores, barns, etc., and are not, like cheese, eggs, meat, milk, potatoes, shirts and socks, available for immediate (or almost immediate) consumption, it naturally did not occur to Henry George to suggest that planks were a prerequisite to the making of planes. In terms of the particular illustration, it did not occur to him to suggest that William, desiring to spend the first ten days of a three-hundred-day working year making a plane, must have planks to live on(!) while doing so and that otherwise he will have to make planks without the aid of a plane.

But although this idea seemingly did not occur to Henry George, the general principle involved is an essential element in the theory of interest. Men *can* produce more with capital than without it. (Suppose all of us had to do all our work not only completely exposed to the elements but with no tools at all, not even a pointed stick! Who will insist that we could produce as much as now?) And capital can come into existence *only* as there is saving. It is the embodiment of *extra* production *beyond* what is consumed as fast as it is produced. The man who has not saved and does not save, can have capital to use *only* as he gets it from someone else *or* only as he gets from someone else, directly or indirectly, the *consumable goods* and services necessary to support him while he is producing *capital*. For the *capital* he cannot eat or wear. Yet he must have food to eat and—certainly in our climate—he needs clothes to wear. The persons who *save* from honest earn-

[4] *Ibid, p. 180. Page references are to the fiftieth anniversary edition, New York (Robert Schalkenbach Foundation)*, 1946.

Henry George and the



Customer: I put $100 in di
Teller: Why man, do intere

Causation of Interest

ings and make their savings available to others who are thereby enabled to and do produce capital—planes *and* planks, as well as plows and reapers, looms, trucks, locomotives, steamships, barns, factories, stores, orchards (but not, of course, the *land*), etc., etc.—those persons, *i. e.*, the savers, have made possible the *additional* output of industry which the capital yields and which, in the absence of the capital, *would not be yielded.*

In Henry George's references to James and William there is, indeed, no denial that such capital as planes is useful. But there is no clear sign of recognition of the fact that—assuming William to have no other source of livelihood than his own labor—he simply *could not* spend the entire first ten of three hundred working days making a tool (capital) to be used during the remaining two hundred and ninety days *unless* someone else provided him with the means of livelihood during the period of his making the tool. And if the reader questions William's dependence, on the ground that ten days is so short a time, he may properly be reminded that the case could equally well be one involving the building of a power dam or a Panama Canal on which many men work for months or years, during which they must be provided with a livelihood by others. Henry George seems to assume that William can just as well produce the plane himself, if he knows how, and presumably other capital such as a truck, steamship or factory, and to ignore completely William's utter inability to do so—except in snatches of spare time, which would mean that William is himself saving—*unless* supported by the savings of another or others. Probably Henry George did in some sense know this to be a fact, but seemingly he did not think of it as a matter of any significance in connection with the theory of interest.

Henry George makes the choice for William one between constructing the plane during the first ten days *or* borrowing a plane and devoting the last ten days of the three hundred to making a new plane to replace for the lender the now worn-out, borrowed plane. He overlooks completely, in this illustration, the fact that, for those who do not save, the choice is really one between working with the aid of capital and, therefore, more productively, or working without capital (or with less capital) and, therefore, less productively. When it becomes clear that this latter is the only real choice, it will be clear, also, that William or any such user of capital may indeed be willing to borrow and pay interest and that he is quite likely to realize that in doing so he is *not*, as Henry George contended he would be if all capital were like planes, worse off "than if there had been no borrowing."[5]

But Henry George did think he saw an explanation of interest on capital in the growth (with the passage of time) of animals and plants. And he argued that the gains of owners of such capital must somehow be shared with the owners of other capital in order that men should be willing to invest in such other capital. He mentioned also[6] "the utilization of the variations in the powers of nature and of man which is effected by exchange, an increase which somewhat resembles that produced by the vital forces of nature." And he remarks in that connection:[7] "Thus Whittington's cat, sent to a far country where cats are scarce and rats are plenty, returns in bales of goods and bags of gold."

Henry George recognized that growth in animal and vegetable life could occur only over time. And likewise as to trade. In these modes of production he asserts that[8] "time *is* an element. The seed in the ground germinates and grows while the farmer sleeps or plows new fields, and the everflowing currents of air and ocean bear Whittington's cat toward the rat-tormented ruler in the regions of romance." He did not deny that labor was necessary to plant the crops or the trees or to provide favorable conditions for the birth and to provide for early care of calves, pigs and other domestic animals. But there is no reference to any of this as constituting a cost-of-production of the capital and no clear reference to the fact that the capital is yielding *no net return* during the period of growth *unless* output is *more* than sufficient to repay this cost of production *and* to pay wages for all work of operation. For though he asserts that there is[9] "a return over and above that which is to be attributed to labor", his theory of interest precludes any real and correct explanation of how much of the product on no-rent land can be clearly "imputed" or "attributed" to labor.

There is indeed, in general, a net return over cost from capital invested in fruit trees, livestock and the like, but there is also a return over cost, with the passage of time, from the construction and operation (use) of mechanical capital such as planes, plows, trucks, factories, etc. In truth the distinction which Henry George makes between purely mechanical capital such as planes and factories, on the one hand, and, on the other hand, things biological which grow in number or size during a period of time, is a distinction of no significance whatever so far as concerns the phenomenon of a net per cent yield or interest from capital. In both cases work is done from which the return in the form of consumable goods in consumers' hands is *deferred.* The factory must be built; the looms, power installations, etc., must be made; the fishing boat must be constructed and nets made; the fruit trees must be planted and, perhaps, grafted and cultivated. After its building, the factory contributes for years to a greater production of manufactured goods. After its construction, the fishing boat contributes for years to a greater catch of fish, and the nets contribute for the shorter period of their life. After their planting and early care, the fruit trees contribute over a period of years to a larger production of fruit.

Nor does nature help only through the biological forces of growth or only through these *and* such obvious forces as the flow of air and water. It is true that men plant trees and seed where conditions are favorable to biological growth. They dam up streams and are thus able to use the force of falling water to run machinery or to generate electric current which will do so. But it can be said with equal truth that, by construction of capital, men harness also, for use in production, the expanding power of steam and of gasoline, the cohesive power of wood, iron, steel, copper and aluminum, and other forces both active and passive of the material universe.

That Henry George failed to see this and to incorporate it into his theory of interest, seems perfectly clear from the following passage:[10]

"When the carpenter drops his plane as the sun sets, the increase of value, which he with his plane is producing, ceases until he begins his labor again the following morning. When the factory bell rings for closing, when the mine is shut down, production ends until work is resumed. The intervening time, so far as regards production, might as well be blotted out."

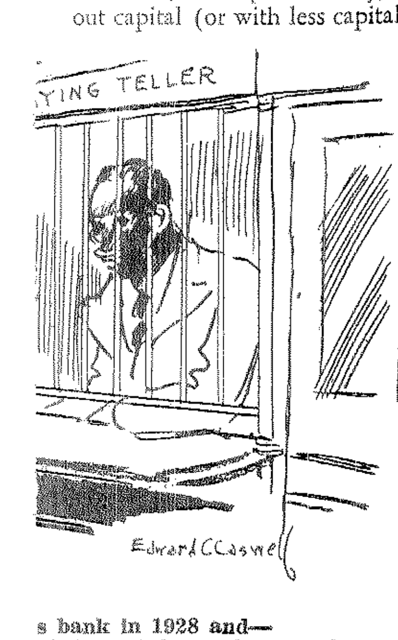
Corn must be planted, cultivated (for the best results) and harvested. In part, the harvest is a deferred return, with interest, from the labor of plowing, planting and cultivating. Nature contributes through the biological forces of growth and this may take place in large part during times when the farmer is not working in the cornfield and even, in smaller degree, during the nights or on holidays or at mealtimes, when he is not working at all. But also the cutting power of the steel blade, the heating power of coal and oil, the expansive power of steam and gasoline, the rain-diverting power of shingles or asphalt roll roofing or galvanized sheet steel, the lubricating qualities of grease in the machinery and the rigidity in the machines themselves—any or all of these forces of nature, and others, may continue to operate to serve men's purposes during intervals of seconds, minutes or (sometimes) hours, when the men are not actively working. A man may connect a furnace with a tank of oil, set a thermostat, and then leave for other tasks *or* for a period of rest, confident that for a considerable interval the furnace will function without his further attention. He may set the dials of a machine which is attached to a source of power, confident that for an interval, short or long as the case may be, it will function without his further personal care. And he may construct, along with other workers, a factory or a great warehouse, confidently expecting that for long years after his work on it has ceased—and even after he is no longer among the living—it will still be protecting from the elements the equipment or merchandise stored in it and will thus be, even though not itself in visible motion, contributing to the production of wealth.

In all these cases, the essential point is *not* that production is going on during some precise

5 *Ibid, p.* 178.
6 *Ibid, p.* 182.
7 *Ibid, p.* 183.
8 *Ibid, p.* 184.
9 *Ibid, p.* 181.

10 *Ibid, pp.* 183-4.

(Continud on Page Eight, Col. One)



s bank in 1928 and—
st done et dat up long ago!

The Last Campaign

(Continued from Page Three)

these goods. Henry George discovered this law that the common fund should supply the common wants. We should be thankful for this revelation and pray that more would have the wisdom to understand it."

This, we believe, constitutes a fitting epitaph for our beloved friend who can no longer be reached at 725 Bakewell Building, which now becomes the address of the Pittsburgh extension.

A temporary committee, meeting in Mario L. Bove's office adjoining Mr. McNair's, arranged shortly after his death, to rent the ex-mayor's office and convert it into headquarters for the Henry George School in Pittsburgh, as a memorial.

No more fitting tribute could be paid to William N. McNair by those who feel they owe him an undying debt of gratitude. The person who is making financially possible the continuation of Mr. McNair's office as school headquarters, wishes to remain anonymous.

Friends of the deceased, both new and old, in Chicago, St. Louis, Boston, New York and other cities where he was well known, extend sympathy to Mrs. McNair—also to members of the Hungry Club and other inner circles where the smiling, friendly personality of "Bill" McNair will be sorely missed.

St. Louis

MAYOR WILLIAM NISSLEY McNAIR addressed the second Commerce and Finance luncheon in St. Louis at the Mark Twain Hotel on September 9th, where he discussed the "Pittsburgh Plan of Public Revenue." Three daily newspapers carried stories of this address and all stressed the theme: "Pittsburgh Plan of Heavy Tax on Land Urged for St. Louis."

Present in the audience were vistors from St. Louis industry including a representative from one of the world's largest shoe manufacturing concerns, an outstanding manufacturer of electrical equipment, executives from a small steel fabricating company, a large chemical company, and the printing business; as well as members of the St. Louis Chamber of Commerce and of the city government's comtrpollers' and assessors' department. B. M. Nevins presided and introduced the Ex-mayor of Pittsburgh.

The St. Louis Globe-Democrat quoted Mr. McNair as saying: "Adoption of the plan in Pittsburgh has encouraged new construction, discouraged speculation in land and increased the purchasing power of hundreds of thousands of residents."

The St. Louis Post-Dispatch took this from Mayor McNair's talk: "The Pittsburgh graded tax, as it is called, encourages new building, discourages speculation in land and helps shift the tax burden from small home-owners to wealthy landowners."

NEXT MONTH

Henry George and the Problems of Our Time

By GLENN E. HOOVER

Professor, Economics and Sociology
Mills College—Oakland, California

An Address at the
HENRY GEORGE BIRTHDAY DINNER
Los Angeles, September 2, 1948

The St. Louis extension of the Henry George School planned to celebrate its formal opening of the 10th year of school work with observance of the 109th Anniversary of the birth of Henry George at a dinner meeting on September 9th. The guest speaker for this occasion was also to have been the Honorable William N. McNair.

Some eighty friends and graduates of the school assembled at the St. Louis downtown Y. M. C. A. with R. E. Hansen as chairman for the meeting. Certificates were handed to members of St. Louis' first summer session in basic economics.

When the speaker, Mr. McNair, failed to appear, B. M. Nevins and Edward B. Case set out to find him. They were told at the hotel that word had been received of his death at Union Station where he had taken his wife to catch a train for Houston. The Mayor suffered a heart attack while leaving the train. Unfortunately it was not known by those seeking to aid the stricken man, that Mrs. McNair was on the train (which did not leave the station for some twenty minutes following). Mrs. McNair received the news by wire at Bismark, Missouri, though from a description given by a woman who had tried to aid him, she knew it was her husband.

Following receipt of this tragic news, the announcement was made of Mr. McNair's death and at the suggestion of Joseph Widmer the audience stood for a few moments of silent communion and tribute, and the meeting adjourned.

All St. Louis papers published accounts of the Ex-mayor's passing, and the Post-Dispatch reported: "McNair's death caused the cancellation of the observance of the anniversary of Henry George, whose single tax proposals were enthusiastically advocated by Mr. McNair throughout his long political career."

We are sorry to lose him. I am sure all will feel he died on a battle front fighting for principles to which his life had been devoted. It's one of life's little ways of letting us know just who is boss.

—NOAH D. ALPER

Chicago

"TODAY is New Year's Day," said Mrs. Edith Belle Matts, daily volunteer at headquarters, referring to the day after Labor Day. And she was right, for at that time vacationing graduates came back to work in earnest for the school's "new year" of classes opening October 4th. The graduates launched a double-barrelled campaign for enrollments and funds on September 8th, starting a program of 1,000 personal calls over the Chicago area. The calls involved a request for financial support but were also an effective means of distributing the class literature. Each graduate called was asked to hand out five of the new fall '48 bulletins to his friends. Leaders of this campaign had previous valuable experience in two campaigns in June.

The drive for students has been fortified by a series of three newspaper advertisements in two metropolitan papers, and by free newspaper publicity. A story on the campaign in the Sunday Chicago Tribune brought Walter Tefo, West Side regional chairman, nine telephone calls from friends and business associates inquiring about the campaign and classes.

A new venture in class promoting is under way at Milwaukee, which is serviced by the Chicago school. Klaus L. Hansen, engineer-inventor, is seeking enrollments by a direct appeal to pastors of the more than 200 churches in Milwaukee. Basis of his appeal is the report on "the church and disorder of society," submitted at the World Council of Churches meeting in Amsterdam recently, and "commended to churches for their serious consideration and appropriate action."

An advisory council of thirty-one members of the Commerce and Industry group met at a luncheon on September 8th, to discuss and make recommendations for the year's program. In a poll of the members, 14 expressed the wish to participate in a bi-weekly seminar. Selecting from seven texts suggested as a springboard for discussion, the group showed a preference for the works of Dr. Harry Gunnison Brown, particularly *The Economic Basis of Tax Reform.* His talk before the group in June left many with a desire to know more of Professor Brown's economic analysis.

Featured this term for the first time is an advanced course, "The Thought and System of Henry George," a downtown seminar to be taught by Gustave Carus, attorney, teacher and trustee of the school. This seminar will include selected readings from Henry George's writings, from *The Philosophy of Henry George* by George Raymond Geiger, *The Theory of Human Progression* by Patrick Edward Dove, and other outside reading.

Honors have been coming to school folk and their families. Jane Leslie Monroe, headquarters volunteer and 14-year-old daughter of John Monroe, in September won the annual Senior Ballet Award of the Edna L. McRae School of the Dance, after a competitive exhibition in the Fine Arts building. A seven-month student of ballet, Jane competed with advanced students ranging in age from 14 to 20. Receiving honorable mention in a photographer's beauty contest recently was Carol Frenzel, four-year-old daughter of faculty member Herman Frenzel.

The Chicago school, his frequent host, is saddened by the death of Pittsburgh's William N. McNair, who, until the last, fought for legislation and practices based on the principles of economic justice. When McNair came to speak, it always meant "good box office" for the school. The earliest memory is of his address at its first commencement in 1934. This year he addressed the Commerce and Industry luncheon in March, and in May spoke at a special hearing arranged for him before the Commission on Revenue Laws of the State of Illinois, under the provision of the General Assembly.

Dan Brink, a former Chicago resident, who is in Oak Ridge for construction work, recently wrote in a letter published in the News, of his lonesome but persistent attempt to introduce the book *Progress and Poverty* into the public library. He now has succeeded in including in a local extension course sponsored by the Division of Oak Ridge Schools and the University of Tennessee, a series of free courses dealing with the philosophy of Henry George in social science, or *Fundamental Economics.* Four books by George serve as texts in this course which was listed in a prospectus mailed out to 10,000 persons.

"The principles of the text, *Progress and Poverty,*" we read in this prospectus, "are applicable for study today, though the book was written in 1879. The subtitle indicates the importance of this study: 'An inquiry into the cause of industrial depressions and of increase of want with increase of wealth; the remedy'."

For this particular Oak Ridge experiment, you can best learn of results by watching future copies of The Henry George News.

Lawson Purdy

New York

NEW SURPRISE feature among advanced courses in New York is the three-week lecture series by Lawson Purdy on "The Assessment of Real Estate," on September 30th, October 7th and 14th at 7:30 P. M. This is indeed a "rare opportunity to learn about assessment practices." All who studied the thoroughgoing article on this subject by Lawson Purdy in the April, 1948, Henry George News, will appreciate the practical aspects of this lecture series and the seriousness and capability of the lecturer. Five hours of field work will be required of students. Mr. Purdy hopes especially to meet with teachers, as he feels their work will be easier if they understand the techniques of assessment. Lawson Purdy, during his term of office as President of the Department of Taxes and Assessments in New York, rendered a service which will redound to his credit for all years to come. He is a man of distinction whom we are proud to welcome to our teaching staff.

Other advanced courses include Public Speaking, also beginning September 30th, and again under the tutelage of James Donnelly, whose successful work here in preceding seasons has necessitated expansion, and he has taken a studio in Carnegie Hall to offer additional courses of especial interest to salesmen.

"Practical Writing," another course, being resumed under direction of Sydney Mayers, affable "Views of the News" columnist on The Henry George News, promises to be a sell-out again. Assignments are handled on the informal workshop basis—and the noteworthy premise behind this course is "that simple writing can be effective writing." One has only to examine the brilliant cleanness of line exemplified in this widely copied column to realize what an excellent craftsman he is. The matter of his uncanny selection of material is something else again. This comes under the head of genius which we fear cannot be learned or taught.

We have repeatedly tried to wheedle the busy Sydney Mayers (who makes motion pictures in the daytime) into giving us a digest of his course for the benefit of News authors. Being, like all artists, something of a prima donna, he has so far resisted us. Is there perhaps a reader of these lines who would be interested in such a writing guide? If so, why not bring pressure to bear upon the Practical Writing Instructor?

Democracy Versus Socialism by Max Hirsch is again available in book form—the text will be used for a 12-week course on Tuesdays at 6 P. M. to be taught by Marshall De Angelis. This is a piercing examination of socialist doctrines, particularly those of Karl Marx, and presents the only alternative to socialism. If you are too far away to enroll for the course you may order a copy of the book from Shalkenbach Foundation, 50 East 69th Street, New York.

Philosophy of Oscar Geiger is another 10-week course being repeated by request with Robert Clancy, the school's director, and former pupil and close associate of Oscar Geiger, in command. This is a "large" course, including in its subject matter the "atomic theory, social philosophy, and a guide to better living."

"American History" is a rugged and perennially popular course under the steady guidance of Richard M. Connor. This is a fascinating 15-week presentation of the basis of American history and its economic aspects, reference being made to the text, *Basic History of the United States* by Charles and Mary Beard.

With such a feast being presented in the advanced field we have very little space left for the all-important basic classes of which there will be 22 in a choice of morning, afternoon and evening hours throughout the week. Nightly classes in "International Trade and Social Problems" have already begun, as well as two classes in *The Science of Political Economy*.

Early in 1947 the registrar listed the Henry George School with the Herald Tribune Speakers' Bureau, and since that time 34 appointments have been received. These have been filled by instructors either from the Newark or New York schools, with the exception of one request in Berks County, Pennsylvania, which was taken over by Joseph Stockman of Philadelphia. That was one of the largest audiences addressed since it was the annual meeting of the Berks County Federation of Women's Clubs with a group of high school students added. Others have been: the Faculty Women's Club of Lehigh University and the Women's City Club of Norwalk, also various Lions Clubs and Kiwanis Clubs. At present engagements are being scheduled as far ahead as March, 1949.

The S. A. G. E. group is sponsoring the sale of Christmas cards carrying quotations from Henry George's writings. John Howard selected quotations from *Social Problems* and *Progress and Poverty*, which read as if expressly intended for this purpose. A sample assortment containing the following items is available on request: a sample card, sheets showing replicas of the other quotations and illustrations, and an order blank. A box of 25 cards is $1.50. Inquiries and orders received at the News office will be forwarded to Mr. Howard.

Correction

In the September Henry George News, the lower photograph on page seven was "reversed." The caption under it should have read: "Standing, from left to right: David Simmons and George Cartwright; seated: Mrs. William B. Truehart, Mr. William B. Truehart and Mrs. Bessie Beach Truehart."

This error was called to our attention by Dave Simmons, who, by the way, has learned his basic economics very well. He recently journeyed to British Columbia to subscribe for the News, sending us a Canadian dollar in payment.

Thanks, just the same!

In the Garden of Arden

ON SEPTEMBER 5th in the nave of a natural and idyllic cathedral in Arden, Delaware; where the leaves of towering trees glittering in the sunlight meet overhead, a small but faithful group once more paid tribute to Henry George and the enclave's founders. These founders, Frank Stevens and Will Price, lie buried beneath a boulder in this quiet spot appropriately named "The Robin Hood Theater."

Dr. Henry George III of Wilmington, as chairman, introduced the speakers, Mrs. Katherine Ross, Don Stevens, Joseph Stockman and Lancaster M. Greene. Mrs. Ross spoke with feeling of those things which impinge upon the just liberties of people and force them into a state-controlled way of life. Said Mrs. Ross, "Basic monopoly must come to a reckoning with natural law."

Joseph Stockman, Philadelphia director, with the aid of Chinese calligraphy and a blackboard, talked of economics as it might well be taught. He made it interesting, simple and graphic.

The faint odor of wood smoke drifted across the Arden meadows as Lancaster M. Greene of The Henry George News staff spoke informally of his recent visit among the Pueblos (who are astute enough not to want to become American citizens, chiefly because they don't like the tax system). Several times during his talk little gasps of surprise were emitted by auditors in the semi-circle, such as Ann Ross who was amazed at the uncanny perception of these extraordinary Indians who for hundreds of years have practised with marked cultural and economic profit, the very things we teach.

The Pueblo philosophy is much like that expressed in these pages some time ago by Monsignor Luigi Ligutti, namely, that man is a steward of the land only.

Mr. Greene, one of the school's trustees, said in reply to a good-natured sally from the chairman, that the Henry George School is like a mousetrap. A girl never chases a man. Neither does a mousetrap. Said he, "The Henry George School is like that!"

WEALTH Incorporated held its first meeting of the season on September 13th at Le Marquis Hotel on East 31st Street, N. York, with various committee chairmen reporting on club activities and with Richard Van Horn presiding. A welcome guest was J. Rupert Mason of San Francisco, who reported informally on the system of land value taxation in certain irrigation districts in the Modesto Valley, California. An example of the pure application of land value taxation, within limitations, is furnished by these communities, and no one has been more zealous than Mr. Mason in bringing before the public the historical as well as the practical advantages of this system.

Mr. Mason, who also visited the Henry George School, was on his way to Hershey, Pennsylvania for the Fifth Annual Conference of the National Decentralist Institute, where he spoke on "Taxation and Land Tenancy."

Mr. Van Horn, president of Wealth Incorporated, recently announced that this group is engaged in making a survey of economic opinion, and that preliminary field testing has indicated that collective ideas are capturing the American mind. "The same questions put to George school graduates," he said, "reveal that they understand and believe in a free economy."

The Causation of Interest

(*Continued from Page Five*)

period when men are idle. The point is, rather, that men have learned that they can, pretty generally, produce more—make their labor more effective—if they follow a *roundabout* process. In other words, they can accomplish more toward their ultimate aim of getting desired consumable goods, if they *first* build or make tools or equipment to help them, *i. e., capital.* This capital, regardless of whether it is subject to biological growth, like fruit trees, or, like buildings and machinery, is not subject to such growth, does, in either case, enable men to utilize natural powers in furtherance of their more ultimate aims. The making of capital is an *intermediate* step in production, so that *waiting* (and, therefore, *saving*) is necessary, and capital may advantageously be thought of as "*intermediate* goods".[11]

With a correct theory of the causation of interest, the student of economics cannot but realize that, if capital is productive, such productiveness is a quality of all forms of capital. He understands that capital of any kind can come into existence only as there is saving. He sees, therefore, that saving and investment constitute a contribution to production in the same sense that labor is a contribution, *viz.*, that such saving and investment add to the total output of industry. He is no longer likely to be confused by the assertion that planes and factories differ from fruit trees and livestock in their inability to make any net contribution to the interest fund. He is unlikely, because of any such confusion, to begin flirting with the philosophy of socialism and so to decide that, if such capital as planes (and the saving without which it would not come into existence) earns no interest, probably all net return on capital is exploitation (the "surplus value" of Karl Marx).

In his theory of the causation of interest on capital, Henry George is indeed vulnerable, as not a few of his sincere admirers have felt. But when we substitute for his aberrant theory of interest a correct theory, we find we have not at all weakened the case for the public appropriation of the annual rental value of land, to the promotion of which Henry George devoted so much of eloquence and logic during so many years of his life. On the contrary, we thus make our case clearer, more sharply defined and more persuasive than before.

11 *Goods in process of manufacture and finished goods in the hands of dealers may properly be included among "intermediate goods." The process of production is still not completed. There is still "waiting" to be done.*

NOTE: A complete theory of interest on capital would, of course, go much further than has been done in these paragraphs. In particular, it would have to develop the principle of diminishing returns and the related principle of "imputation." These principles I have explained in *Basic Principles of Economics* (2nd edition, Lucas Bros., Columbia, Mo., 1947) for interest, wages and rent. There is a partial explanation as regards interest in Chapter II of *The Teaching of Economics* (Schalkenbach, N. Y. City, 1948).

The total product of industry would be reduced to zero if there were no labor. There could obviously be no product if there were no land. There could be a little—but, indeed, it would be *very* little—product if there were no capital whatever, not even sticks, to work with. Presumably because there would be no product at all without labor, the socialist contends that "labor produces all value." Because there would be *almost* no product without capital (and, therefore, without saving), shall the defender of interest say that capital (and, therefore, saving) produces *almost* all value, and that those who save should get *almost* the entire product of industry, leaving mere workers to starve? How much of the product may we properly *attribute* or "impute" to labor, to saving and to land (but not to land*owners*) respectively? The thorough student of the theory of the distribution of wealth must, if he is to answer such questions satisfactorily, pursue his studies into the theory of imputation.

—H. G. B.

Report from Minneapolis

"I HAVE been spending most of my time the last week revising my mailing list and preparing special mailing pieces which will insure us (I hope) of a couple of *Progress and Poverty* classes of about 25 or 30 each. Lloyd Jones, an old 'convert' of Louis Schwartz's lectures in the 1930's, will take one class and I will take the other. We will meet in the Minnesota School of Business classrooms, and we hope by now we are in a position to follow through better on our graduates and build a more substantial Georgian element here in the Upper Midwest," wrote Director John Burger.

"I have been hitting the ball hard for acceptance by organized and profit-making educational institutions in daytime classes, and just last week started our regular day school classes in Dr. Brown's *Basic Principles of Economics.* I find the reaction to Brown good so far, although I must confess I am watering it somewhat heavily with cross currents of the *Progress and Poverty* course from the start. It is, however, excellent for broadening the Georgist base and perspective."

When John Burger made his stirring address at the opening session of the national conference, everyone felt indeed that he had given out enough constructive advice to chew on for a long time. To reduce his vivid remarks to a mere topical outline is a rank injustice. However, like all good speakers, Mr. Burger spoke extemporaneously, and held his audience so grippingly that not a pencil moved, hence no notes—and of course there was no dictaphone in the room. This, we feel, is a great loss to humanity, and particularly to our readers, but we are publishing the "bare skeleton" none-the-less. We would advise John Burger enthusiasts, who are numerous, to move slowly through this outline, mentally expanding these gems of wisdom which represent some of the best sales advice offered to Georgists for many a moon.

Woodrow Wilson Had 14 Points —Here Are John Burger's:

1. Get an idea. Get an example. Get excited! This is necessary in appealing to any one about anything.

2. Have plenty of local examples—and current ones—but be careful how you use them. Be modern in your technique. To be victorious, don't be Victorian.

3. Concentrate your fire on younger rather than older business men, but don't neglect anyone. Oldsters are apt to have made their adjustments to things as they are.

4. After they've had a chance and "can't" ("or won't") see it, forget the diehards, bullheads and ossified mentalities. Georgism will never be a 100 per cent club. (Copies of Gilbert Tucker's *The Self Supporting City* were used to gain initial interest.)

5. Have a variety of appeals, and fit them to the prospects. You may catch fish with a frog or worm, but these things won't impress a fox or a rabbit.

6. Offer a practical as well as a theoretical program. Business men like to think they are practical, and many of them are, so be sure to know your local conditions and problems and the first steps you need in practical application of principles.

7. Appeal to business men and not to business. Business is cold, heartless, ruthless and institutional. Business men are warm, human, and altruistic.

8. Don't be a Patrick Henry Georgist. Stay "in the groove" or "on the track," but keep out of a rut.*

9. Keep studying and growing in your own knowledge of economics. To make progress and avoid poverty (in students), know more than *Progress and Poverty.*

10. Be a business man yourself. What you are and act like helps what you say. Often actions speak so loud that people can't hear a word you're saying.

11. Stick to principles and steer clear of personalities. It's the system that is wrong—not the persons who play any particular role in it. There may even be an occasional Georgist who takes advantage of site values he didn't create all by himself.

12. Don't make peanut-butter sandwiches for yourself.** Most of our troubles and difficulties are self-generated. Take positive attitudes toward people, and if you must criticize, do it like Abraham Lincoln who said "If I were you, I would do exactly as you did (do)." (Of course you would!)

13. Two-thirds of "promotion" is "—motion." This applies to educational programs as well as to employment. Keep moving. Be active in promoting Georgism.

14. Don't be discouraged by difficulty or what appears to be failure. You never know the full effect of what you do or what may be reaped where you have sown. Remember that a few fleas are good for a dog, for they remind him that he is a dog. The leader we follow was an American, and we claim his ideas were truly American. We claim that we are enthusiastic Americans. The last four letters in the word American are "I Can"—and we can, *if we will.*

***The story told in illustration of this was about a man who loved to speak in public and never lost an opportunity, but no matter what the subject was it always turned into a talk about Patrick Henry. One day a group of friends decided to play a joke on him. He was asked to speak on a certain occasion but was given the subject, "Colic in Mules." The man promptly accepted and began his talk in great confidence. "I have been asked to speak on 'The Cause of Colic in Mules.' Colic in mules is caused by gases which rush back and forth in the animal, shouting—'give me liberty or give me death'." (Now read that 8th point again)**

****This was another good story about a workman who carried his lunch, which consisted mainly of sandwiches. Each day he would open his lunch box, peel the paper off, look at a sandwich, discard it with disgust and remark, "ugh, peanut butter!"**

Curiosity at last won the day and a fellow worker who'd watched this performance for some time asked, "how long have you been married?"

"Ten years," he replied.

"And hasn't your wife found out yet that you don't like peanut-butter sandwiches?"

"Look here. You leave my wife out of this, I make those sandwiches myself."