

LESSON XVIII.

INTEREST.

1. PROPRIETY OF TAKING INTEREST.—Loaning money is a temporary exchange, and, like all exchanges, is made for the sake of profit. The person who loans money does not, indeed, thereby relinquish his ownership of it. On the contrary, it is still regarded as his. He may be taxed for it, or it may be seized by a creditor; but the control of it for the time specified in the contract has passed from him to another. He gives up the use of it for a longer or shorter period, and what does he receive in return? There is no exchange unless there is some return. This return is called interest. And that it is perfectly proper and legitimate to take such a return for the use of money is obvious. First, because it is freely offered in exchange for it. If the exchange is made on the one side for profit,

it is equally so on the other. If the man who loans the money does so for the sake of the interest, the one who receives it willingly pays this interest for the sake of its use. And where both sides consider themselves benefited, it must be considered as a fair exchange. Again, money is property, possessing a real value, and representing so much labor. It costs its possessor something, therefore, and ought to bring him something in return. And if the transfer of its absolute ownership would be the transfer of a certain value, which would deserve a certain equivalent, then the transfer of its ownership, or its use, for a few months, or a few years, deserves a proportionate return. Again, the money in the hands of the owner gives him a certain advantage in production. He can produce more by its use than without it. If he uses it himself, therefore, it yields him a given profit, and it ought to, certainly, if its use be transferred to another. Or the money in the hands of the owner may be regarded as representing the means of a certain amount of personal indulgence or enjoyment, from which he voluntarily abstains when he loans the

money to another, and should therefore receive some compensation for his *abstinence*.

2. WHY FIX THE RATE PER CENT. OF INTEREST?—

As no attempt is usually made to fix by law the rates at which other things shall be exchanged, the question naturally arises, why such an attempt should be made and persisted in to the present day, in many countries, in regard to the exchange of the use of money. There must be some semblance of a reason for this, at least. Money is still regarded by most men as materially different from other articles of property. It was formerly considered as the sum of all values, and something of this feeling still remains. As money is the medium of exchange, its need is felt in nearly all exchanges; and hence, if one has no money, though he has other articles in the greatest abundance, he finds it difficult to make exchanges. Hence, on a superficial view, money does seem to be a more essential article than any other, and hence to require some special public regulation. But if one has an abundance of other articles, he need not be in

want of money, since he can always trade off these articles for money. Hence one may always have money, just in proportion as he has other articles of value. But may not the poor, those who have little or nothing to exchange off, be oppressed unless the price for the use of money be fixed? Doubtless they may be, and equally so if it be regulated. If one has but few valuables of any kind, his credit must surely be poor, and capitalists are not very likely to loan to such men at any rate—certainly not at the low legal rates. The misfortune of such men is that they are poor, and there is no help for them but charity; and when you come to this, you have left the sphere of business. Agricultural communities, like ours, are naturally jealous of trade and of the influence of money. Making but a small percentage themselves from their business, and often being obliged to mortgage their farms to raise money to carry them on with, they are sure to favor low rates of interest, and the establishing of these rates by law. But as money accumulates, and its functions become better understood, usury laws disappear from the statute-

book, as they have in England, Holland, and other commercial countries.

3. USURY LAWS ARE ANOMALOUS, USELESS, AND OFTEN PERNICIOUS.—Usury laws are laws fixing the rate of interest. Such laws are anomalous, because no such restrictions are laid upon any other exchanges. The absurdity of restrictions on the exchanges of most other articles is, indeed, quite too obvious not to strike every one. The value of corn, lumber, wool, etc., varies so much at different times and in different places, that every one sees that it would be unjust to fix the rate at which they should be exchanged for each other or for other articles. The value of money, to be sure, is much steadier. It fluctuates the least of any article. But yet it does fluctuate; if it did not it would not be necessary to fix the rate of interest, as that would always be uniform. And if it be more valuable at one time and in one place than in another, then it is plainly unjust to fix a uniform rate of interest for its use. And at the same time, such an attempt is useless and of no avail. It is notorious

that no attention is paid to usury laws by either borrowers or lenders of money. The penalties of forfeiture, etc., for violating the law are entirely unavailing, since the borrower, who should enforce the forfeiture, would never be able again to obtain accommodation at any of the banks, or with any of the private money-lenders where it was known. Finding enough persons who will give them their price for their money cheerfully, money-lenders will not be likely to accommodate those who not only grumble at their terms, but are disposed to take advantage of any illegality in the rates charged. Or, if they do accommodate them, they will be sure to protect themselves by some of the many devices resorted to in such cases, as by taking the interest at the time the loan is made, or the like.

Usury laws, therefore, while they are entirely unavailing, are decidedly immoral in their tendencies. The constant violation of them corrupts the conscience and habituates men to the violation of law without compunction. At the same time, as far as they have any effect, they are harmful to money-borrowers. Many men, who

now use their money themselves, would be willing to loan it if they could legally receive for it what they consider its fair value. Hence many men of enterprise and energy, who could use money to the greatest advantage, are deprived of it by the operation of usury laws. It is high time, therefore, that these laws were swept from our statute-books. Or, if retained in any form, they should merely fix the rate of interest where no particular rate is agreed upon between the parties.

4. HIGH AND LOW RATES OF INTEREST.—If interest were allowed to regulate itself, the charge for the use of money would rise and fall, like other articles, with the supply and demand. Indeed, as it is, it does so rise and fall. We see every day, in the newspapers, quotations of rates of interest in our cities, utterly at variance with the usury laws which exist there. One circumstance which affects the rate of interest is the risk in the case. Where the risk is great, but few persons are willing to loan at all, and hence the amount of money available in

such cases is small, and will necessarily secure a high interest. Again, the prospect of gain has an important influence upon the rate of interest. When business is good and there is a prospect of large profits, there is always an unusual demand for money, and the rate of interest will be high. But the demand for money lessens as the hope of gain lessens, and, hence, the rate of interest falls. The rate of interest is higher, too, in new than in old countries. Old countries are already supplied, from the accumulations of many years, with machinery and other fixtures and improvements so essential in production; whereas new countries have all these improvements to make or purchase. Hence there is a greater demand for money in new countries than in old ones. At the same time, as these various forms of fixed capital, and many other articles wanted in new countries, are manufactured in the older communities, money flows regularly from new to old countries to pay for their various manufactures. Hence money is plenty in old countries and scarce in new ones, and the rate of interest varies to correspond. Ac-

cordingly we find the rates of interest much higher in our Western States than in the Eastern, and in the Eastern States than in England. These are some of the circumstances which determine the rates of interest at different times and in different places.

LESSON XIX.

LAND AND RENT.

1. PROPERTY IN LAND.—Some deny the right of property in the soil. As it is a gift of God, with all its native properties of production, it is a gift, they say, to the race, and not to particular individuals. But substantially the same is true of every thing else. Steam, and iron, and coal are equally the gifts of God, but no one, on this account, thinks of denying the right of property in steam-engines. There is a larger proportion of labor required, it is true, in preparing the engine for use, than in preparing the land; but all land requires some preparation to make it productive. Originally it takes labor to discover it, to prospect it, to inclose it, to clear it, and to subdue it. It is thus appropriated, and becomes individual property. If the Creator had designed that it

should be the common property of all, he would have made it incapable of appropriation, like the air and the sunlight. But not being universally diffused, and not coming, like these bounties of heaven, with all its blessings, to each man's door,—the same to each and to all,—it has to be sought out and prepared for use, which gives one a title to it. The earth, however, was made to be tilled, not simply to be prospected and inclosed by cornerstones and imaginary lines. This mere plotting out of land, as evidence of possession, is a sort of paper blockade to keep others off, and should no more be allowed than paper blockades of ports are allowed by the laws of nations. As the necessary abode of man, and the original source of all sustenance, it should be open to all earnest cultivators, on the principle of "first come first served." But when one has actually appropriated, and subdued and cultivated a piece of ground, or has purchased it of another who has done this, it is as much his property as any thing else.

2. GROUND FOR EXACTING RENT.—If land may be

rightfully appropriated and become one's property, then something may be demanded for the use of it, the same as for the use of money, or any other property. It cost the owner something, and gives him a certain advantage in production, which of course he will not relinquish without some consideration. Rent, therefore, is the consideration given for the temporary use of the beneficial qualities of land. Rent, then, must generally be in proportion to the valuable qualities of the land rented. The price of produce in any community must always be determined by the least return made by any of the land under cultivation, in proportion to the labor and capital bestowed in raising and delivering it in market. Those who occupy the better lands, being able to sell cheaper than those who occupy the poorer lands, will run down the price of produce, by underselling the less favored producers, till it reaches the lowest point at which the occupants of the poorer soils can live, and there it must stand, varying only from the influence of supply and demand, as there is no motive for reducing it lower. Until, therefore, some improvement is made in the means

of cultivation, soils still poorer, or less favorably situated as to market, etc., will not be occupied, since they would not afford a living return. Hence such lands will command no rent, and those immediately above them in productive qualities, but a slight rent. From this point upward, rents will rise in proportion to the productive qualities of the lands, the ease of their cultivation, the favorableness of their situation as to market, etc.

3. THE RETURN FROM LAND IS NOT INCREASED IN PROPORTION TO THE LABOR AND EXPENSE BESTOWED IN ITS CULTIVATION.—When land is first taken up, it contains in it productive elements which have been accumulating for ages. The first object of cultivation is, to draw out these elements by breaking up the soil, and bringing its nourishing qualities from year to year into fructifying relations with seeds, roots, etc., which are placed there for growth. At first these qualities are easily reached, as they pervade the whole soil. But as every crop partially exhausts them from those portions which are near the roots, the soil has to be more thoroughly and

deeply stirred each succeeding year, which occasions more labor and expense. At the same time, there is annually a diminished return. And if, to prevent this diminishing return, we procure manures and fertilizers to dress the land with, these will scarcely more than repay their expense in the increase of the products. It must be obvious, therefore, that the return in agricultural products can not keep pace with the increase of labor and expense required in cultivation. Hence it is, where land is plenty, as with us, that we see the older lands abandoned for the virgin soil of the new States. This would not be the case, did the value of the product increase in the same proportion as the labor and expense of cultivation; since in that case, the old lands might be divided and redivided, with the increase of population—it only being necessary to make a greater expenditure of labor and capital, as the portions become smaller, in order to realize as much profit as before. Thus a square rod of land would be just as good for productive purposes as a square mile, which experience shows us is far from being the case.

This relative decrease of productive returns may be somewhat retarded by new inventions of labor-saving agricultural machines, which will save the more, of course, in proportion to the amount of labor which it is necessary to bestow in raising crops. Indeed, by the increase of such machines, as well as of improved modes and means of cultivation, the aggregate returns from the soil, in proportion to the labor and expense bestowed, are undoubtedly increasing from year to year; but still the inequality in the returns from new and old soils continues.

4. LAND IS MORE PRODUCTIVE WHEN CULTIVATED BY ITS OWNERS IN MODERATE-SIZED FARMS THAN WHEN CULTIVATED IN LARGE ONES.—The chief advantage of conducting any business on a large scale arises from the division of labor and the use of machinery in the different processes. But agriculture admits of division of labor and the use of labor-saving machinery the least of all employments. One man can not give himself wholly to sowing, another to mowing, and another to harvesting, but each man must perform all these processes: otherwise he will

be obliged to remain idle the greater part of the year. Hence farming on a large scale is not to be compared with manufacturing on a large scale. Whatever advantages there may be in large farming, they are more than counterbalanced by the peculiar advantages of small farming, conducted by the proprietors. Large farms must be worked chiefly by hired labor, under the superintendence of overseers who are also hired; while small farms may be wholly managed, and in large part worked, by their owners. And all know the difference between the labor which is stimulated by personal interest and hope, and that stimulated simply by wages. There is a spirit, an elasticity, and a persistence about it to which hired labor is an utter stranger. There is a universal desire to possess a portion of land. It is our "mother earth," and when one has been able to appropriate a portion of it as his property he treads it with a conscious pride. He seems now to rest on a solid foundation, and he spares no labor or pains to make it secure. Under such a division of land each farmer is an independent yeoman, and cultivates the intelligence, the character,

and sense of responsibility suited to his position. So that small farms produce not only better crops, but better men. This is all abundantly illustrated not only in the history of our own country, but in all the countries of Europe, where the system of small farming remains. Travelers* on the Continent universally bear testimony to the industry, thrift, and increasing intelligence and manliness of the peasant proprietors, in comparison with the farm-laborers on the great estates of England, where the law of primogeniture interferes with the natural division of the soil among many owners.

* See especially Laing's travels in the various countries of Europe.

LESSON XX.

PROFIT AND WAGES.

1. THE RELATION OF PROFIT AND WAGES.—All products are the result of the co-operation of labor and capital; and as each contributes something to the result, each would seem to be entitled to some reward. The laborer practices self-denial in submitting to irksome labor, and so does the capitalist by foregoing the use of his capital in self-indulgence and employing it in further production. The remuneration of the laborer is called *wages*, while that of the capitalist is called *profit*. Profit, however, includes not only the remuneration for the abstinence of the capitalist in not using his capital in self-indulgence, but for his risk in engaging in the particular business in which he has embarked his capital, and his time and exertions in superintending that business. The profits of any business,