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REPLY TO MR. SEVENSTER BY V. H. BLUNDELL

I am afraid I cannot altogether understand what Mr. Sevenster is saying, particularly when he speaks of the money value of land being 20 to 50 times the rent. He seems to suggest that where land values increase beyond their true production value, then this speculative value not being backed by goods is somehow inflationary. This in turn would suggest that additional paper money is put into circulation in order to make up the difference between true land value and speculative land value. Alternatively, that somehow speculative land values cause this money to come into circulation. I would maintain that there is no such connection between land values, speculative or not, and inflation.

Where production takes place on a piece of land, rent represents a share of the wealth produced. If the rent is a speculative rent, and thus takes more than is due, then this can only be at the expense of the returns to labour and capital. This may put up the cost of living to the producers but it lowers it for the land-owner. There is no inflation here. Where land is sold at a price which includes the speculative element, there is again a mere transfer of wealth from A to B, and whether this amount is high or low, justified or unjustified, it has nothing to do with inflation.

Perhaps Mr. Sevenster could explain the practical process whereby governments are making bank notes in order to support speculative land prices. There is no evidence whatsoever that governments specifically issue money for this purpose or that they are somehow obliged to. Certainly Mr. Sevenster offers none. Speculative land values are only evidence of the power to take goods and services that are already produced if and when the land is sold. If speculative land values are "unreal" then so are all values arising from obligation - but this has nothing to do with inflation.