

## INFLATION: THE STARTING POINT

By J. J. POT (Lunteren, Netherlands)

W. H. Pitt ("Inflation - Is This Correct?" in the Spring Georgist Journal) is perfectly right in stating that "the immediate cause of inflation lies in deficit budgeting." But this is only a small fraction of the whole problem. The general formulation of the cause of inflation is the destruction of confidence. This can be done in many ways - deficit budgeting is one of thousands.

Inflation is "something for nothing." If, for instance, tomorrow you have to pay more for the same human exertion as yesterday, that one dollar more has no value. Mixed among the whole supply of currency, all dollars are proportionately devalued.

If you follow the chain of wages, prices and the rest, somewhere you'll end up at the printing press - printing dollar notes not backed by wealth, consequently bearing no confidence. So the printing press is an effect, not the cause of inflation.

If you ask for the beginning of inflation, searching around and around for all instances of "violation of confidence," without tracing the starting point of inflation, I would advise you to ask why. Why does one ask something for nothing? The kernel of the answer is, because the other fellow is doing it (price-wage, price-wage, ...). And if we keep asking why, we indeed get to the starting point: land. Every dollar paid for a gift of nature is not backed up by wealth produced by human exertion. The capitalisation of the rent into the price of land is the first "something for nothing," prompting all others to play the same trick - all the way to deficit budgeting by government, and to the printing press as a final consequence of the whole story.

## LAND VALUE VS. RENT

By LIONEL BOORMAN (Eastwood, N.S.W., Australia)

I was intrigued by Benjamin F. Smith's statement ("More on Math and Single Tax," Winter Georgist Journal, No. 14) that Julian Hickok erroneously assumes "that the value of land equals the price of land, thus the value and total rent both drop as land prices drop with land value taxes."

Both Mr. Hickok and Mr. Smith seem to be making simple things complicated by a wrong assumption that rent arises from value. As Henry George points out, "Value arises from rent and not rent from value", and I believe that not even Albert Einstein could have worked out a formula showing the effect of the Single Tax on rent.

It is true that the public appropriation of rent would raise the margin of production and raise wages at the expense of rent, but the resulting increase of production and the overall effect of the abolition of taxation would be incalculable.

Land value, which is a social evil, arises from the failure of Governments to collect their true revenue, and if the Single Tax were applied to rent and not to land value, all difficulties in the quantum of assessment would disappear as land value began to disappear. Land value is not a capitalisation of rent. It is a capitalisation of privately appropriated rent, and if the community takes the rent there is nothing left upon which to capitalise.

We must recognise that land value is a social evil and that rent is a natural phenomenon - the former to be destroyed by the public appropriation of the latter.