

## LAND SPECULATION AND INFLATION

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Allodial tenure of land is so socially harmful that those who appreciate its role as initiator of taxation and all its attendant social corruption often wrongly ascribe to it phenomena whose cause must be searched for elsewhere. So it is with many Georgists (including one in your No. 1 issue) and inflation.

Failing to collect its natural social revenue of ground rents, a government is compelled to use taxation of individual labour as a substitute. Such taxation damages the productive processes, eroding its own base, and so there is a constant search for different methods of taxation until at last governments hit upon money manipulation. They adopt fiduciary currencies, then increase the quantities circulating. Additional money is not shared out, to be spent by the public. It is spent into circulation by governments. What it buys is taxed from all the people accustomed to using the particular currency.

What a unit of money will buy depends on several factors. Other things being equal, it is inversely proportional to the numerical value of the money circulating. No one is likely to contest this statement. It is inversely proportional to the velocity of circulation. Here we might have some disagreement, but let us suppose that in a community, all are workers at a wage of 100 units a month. Each 100 units is spent over a period of four weeks, and has necessarily exchanged for those things traded against money during the four weeks. Now change the pattern to a weekly basis, each person receiving 100 units and spending it in a week. If the price level is not to alter, all the exchanges previously done in four weeks will be done in one - a month's exchanges all transacted in one week. Since most of the exchanges are of current production, this cannot be. The only result will be that on a weekly spending basis, money will be worth one quarter of what it was previously, and that without any increase in the nominal quantity of money.

Another factor affecting the value of money is the number of exchanges in a given time. An increase in production of goods and services will result in an increase of the number of things offered in exchange for money, with a consequent increase in its value. An increase of any article offered in trade will cause appreciation. It does not matter what is offered provided that is exchanged against money. It may be postage stamps, it may be old paintings, it may be antique furniture, or marijuana, subscriptions to clubs, or even payments for land titles. Hence an increase in the price of land titles and an increase in their rate of sale will result in a double increased call for the use of money. In turn this will divert money from other uses, unless more is put into circulation.

Far from being inflationary, therefore, speculation in land titles will tend to hide the degree to which the government has increased the money supply. The process is exponentially cumulative, for as inflation is felt, more people decide that they will invest in land titles to protect their savings against erosion. Against increasing demand, prices will rise further thus mopping up more costless money. Rising prices of land titles induce higher demand for this hedge, and so on.

Today we are at the stage where the price of title bears no relation to the rent of the site. Speculation has driven up prices to a level often higher than 1000% of the capitalisation of the net rent. Adding to pressure, the rate of selling of titles has increased tremendously of recent years. What will happen when the "land boom" becomes the inevitable bust, is that it will be accompanied by prompt runaway inflation without any additional money being spent, merely because land speculation which is the mop-up of excess money has ceased to perform that very function. At this point the full effect of the excess must be visible over the remaining areas of money-trading activities.