

SUPERFICIAL

A consideration of the "boom-busts" of history was presented by David Walker in "The Age" of 30 October. What is the link between, say, the October 1987 sharemarket crash and the economy?

The current jargon for market crashes involves "asset price deflation". According to certain experts, "a sort of madness" erupts.

The theory is that "when asset values fail . . . companies and households start concentrating on paying debt. Lower spending depresses activity, which depresses spending, wages and asset prices and makes debt repayment both harder and more pressing. This in turn depresses activity, which depresses spending . . . and so on."

The obvious weakness here is, just what is an asset, or for that matter, an asset value?

Underlying this is a failure to define fundamental terms. If the gurus of today went back to recognize land, labour and capital as the primary factors of production, and recognized that the topics so often discussed are secondary, tertiary or even more remote, then there might be some hope of understanding and controlling (or better, preventing) extreme booms and busts.

The role of land prices is the crucial, yet neglected factor. See Fred Harrison's "The Power in the Land"; or Bryan Kavanagh's article in the May 1991 issue of "Progress".

Because they understood the impact of land prices, Georgists were able to predict the current recession/depression some years ago. Monetary policies and influences play their part, but they are not fundamental.

Until there is a wider and deeper understanding of humanity's relation to the earth (including, especially, the role of location), we are indeed, as David Walker indicated, "doomed to repeat the boom-busts" of history.

Geoff Forster.