

monopoly'. To my mind, governments can only be blamed for their failures, and the first blame I would give governments is their negligence of the importance of community-created land value rising, and their failure to collect the annual interest (land rent) of the rising value. If this were done, and the revenue were used for the reduction of income taxes, there would be nothing with which to feed inflation. Expenses of higher land rent will be balanced by lower income taxes.

Inflation has two sides: the rich (especially land owners) getting more rich, and the poor (the landless) having to pay higher prices for their consumption in order to fill the bags belonging to the landlords who, on top of that, also have the advantage of falling debts.

Those governments who now and then devalue their coin are literally inflating. But it is a mistake to say that governments are inflating the coin by borrowing money above the taxation. When governments borrow, in reality they collect voluntary, and temporary taxes which later on of course have to be collected as real taxes, when the bonds are paid back. But this act is not adding anything to the total amount of money.

It is not correct when some people say that the Central Banks are misusing the printing press. No Central Banks in the 'Western' world are issuing more bank notes than you and I are carrying in our wallets, or our cashiers and the bank cashiers keep in their drawers in order to serve the customers. And the amount of bank notes is continuously shrinking, from about 5 pct some years ago to today only about 2 pct of the total amount of paying media, money.

I am very happy to read Mr Dowe's two lines, '...Freedom includes the right to issue one's own money if others will accept it...' That is just what happens, anyway in my country. If a man buys a house at \$100,000, but only pays \$80,000 out of his own and borrowed money from the bank, he can issue a mortgage deed for the remainder, promising a high rate of interest and a fast repayment. But this mortgage, together with all other mortgages of the same kind, are a great part of the annual rise in the total amount of money which, to my mind, includes every piece of paper with an IOU accepted by the receiver. This excess money most often appears as payment for land value rising, the only income element of importance which is not based upon previous production, and thus bringing the amount of production and the amount of purchasing power out of balance.

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INFLATION

(Submitted to Sydney Morning Herald)

Sir -- The Institute of Applied Economic and Social Research has stated that next year Australia's jobless will be as high as 550,000 and that inflation will be slightly down (now seven to eight percent) to five or six percent. It is quite obvious that in calculating the inflation rate the soaring prices of real estate is not taken into account.

Although the CPI reflects some improvement in the price rise of consumer goods and services and there is a tendency for interest rates to fall, the enormous load of debt being carried by the home-buyer is constantly increasing. There is little point in reducing the interest rate if the total sum paid in interest constantly increases.

Within recent years the price of existing houses and home units has practically doubled and whereas the average loan for the purchase of a unit was formerly about \$15,000 this average is now around \$20,000 to \$25,000. What is the use of a reduction in interest rates under these circumstances? In fact a reduction in the rate tends to increase the price.

The absurdity is that the buildings daily changing hands are getting older and yet are bringing higher prices and banks are making record profits. The tragedy is that with the hundreds of millions of additional overdraft dollars coming into the economy as a result of increased prices and larger mortgages there is no resultant production and no economic growth. Little wonder that unemployment grows and real wages shrink.

There was a time that Australia could be proud of its percentage of individual home ownership but the amount of investment in home units for letting at exorbitant rentals is quickly changing this. It is time that governments took a hard look at the building industry, encouraged the erection of houses and units and by a substantial increase in Land Tax destroyed the price of building sites. We would then see a dramatic fall in inflation and unemployment and a rise in real wages.

L BOORMAN Eastwood NSW
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IS THIS DEMOCRACY?

(Published in The Australian 4.10.78.)

Sir -- From time to time and particularly at elections, much is said about our democratic system of government; but how really democratic is our Parliament?

The first essential to make our Parliament really democratic is to allow every member, including back-bench members to have a free vote