A Word With You

THERE is a suggestion made by Henry George that should be helpful in understanding something about inflation. He points out, in *Progress and Poverty,* that when wages and interest fall below the *accustomed returns* of labor and capital, production stops.

Such a process would be deflationary. And we may infer that a reverse process of inflation would occur when a struggle is made to *keep up* the accustomed returns. Pressures are exerted to maintain all returns at a high level; we have developed all sorts of mechanisms to prop up prices, wages, the stock market—and taxes.

A good deal of this propping up is monetary—which is no doubt why it appears as though a monetary reform would stop inflation. But so far we have found that a "tightening up" and a "loosening up" of the money supply only lead to two different kinds of headache—business distress or inflation. In either case, different economic groups still try to keep up their accustomed returns—and improve them, if possible—and the race is on again.

Alternately, blame is laid at the door of "big business" and "big labor." If only steel would keep its prices down; if only the union hadn't struck for that last increase.

But, as economics teaches us, prices are determined in the market place, by bargaining between producer and consumer, and nobody should be chided for driving the best bargain he can.

Besides, as George posed the matter, why should labor be asked to be content with so little when modern productive power promises so much?

The wage-price spiral seems to be a mysterious thing, with no one seeing how it starts, and each blaming the other for starting it. The real culprit, the increase of land rent, escapes detection. As the value of land goes on its inflated way, absorbing the benefits of progress, it presses against the returns to labor and capital. They in turn exert pressure—usually against one another—to keep up their accustomed returns. They seemingly succeed by getting a monetary return which apparently puts them ahead of the game. More money is printed to take care of the increase—and the invisible, insidious drain of inflated land value goes on. The more obvious things get blamed.

Excessive taxing and spending by the government doesn't help—but we have had inflationary periods without big government—but *with* land speculation. Reform the currency, cut down government, curb the unions and control big steel—and we would then most probably have the most rampant land values ever, and the biggest inflation ever.

—Robert Clancy

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The Henry George News, published monthly by the Henry George School of Social Science, 50 E. 69th Street, New York, N.Y. 10021, supports the following principle:

The community, by its presence and activity, gives rental value to land, therefore the rent of land belongs to the community and not to the landowners. Labor and capital, by their combined efforts, produce the goods of the community — known as wealth. This wealth belongs to the producers. Justice requires that the government, representing the community, collect the rent of land for community purposes and abolish the taxation of wealth.

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