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LAND PRICE AND INFLATION

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Land rental relates to the here and now of production, but land price does not. The rental value of a residential site may be $20 per week - and that is the current value of the productive community services accessible to that particular site. But its capitalized price may be of the order of $20,000 and it is this figure which becomes security for the issuance of credit on mortgage. There is not $20,000 worth of services in existence.

Thus land price is the capitalization into the here and now of the value of services that can only materialize over the next 20 years or so. It constitutes a futures market in land whereby mythical production can command the exchange in the present of real production. The release of credit on the "security" of such spurious values is the mechanism whereby inflation takes its root in speculation. When real values, albeit tax-burdened, can no longer carry the load, then the bubble bursts.

To destroy inflation, we must destroy the price of land- and that is to be accomplished only by its "decapitalization" through the diversion of private equity in land rent into the common kitty.

Is it actually necessary for governments to roll off more dollar bills for inflation to occur? or can inflation occur in the situation where credit is issued but in which everything is transmitted in cheques and IOU's?