

gnifying star and economic flounders at the primitive level from which medicine climbed a few centuries back.

Before we can expect those who vote and ratify public policy to gain even an elementary understanding of the economic factors of life, Brian Nord (letters Dec. 29) and his colleagues in the Economic Teacher's Association of N.S.W. must recognise this crucial distinction, and put an end to the muddle in economic thought which blinds society to the truth that all our so-called economic problems are the result of political mischief. Economic education must begin with the educators.

E. T. DONOHUE.

Croydon.

(The letter was not published)

READERS' LETTERS

LAND SPECULATION PROMOTES INFLATION

The causes of inflation are far from simple; hence the diversity of diagnosis and cures propounded.

One cause often cited is excessive note issue from Government printing presses, either to stimulate demand (after Keynes) or, more cynically, to help pay for election promises.

Investment in land is often resorted to as a "hedge against inflation," in recognition of the fact that the value of land in general appreciates, whereas man-made commodities depreciate with the passage of time, and money, the medium of exchange, depreciates in value in modern societies.

While such investment may be attractive for the investor or vendor, it is quite different for society as a whole. In particular, for the purchaser of land, whether for housing, industry, commerce, or other purpose, the escalating price to be paid for access to a site means a larger financial outlay, often compounded by extra mortgage and interest payments, which thereby restricts the finance available for goods and services. For an industrialist or home builder, for instance, this means less cash readily available for the building.

Thus the effective demand for the building industry and its associated products is slowed down, the economy tends to become sluggish, and the call is issued to "prime the pump", i.e. inject more currency into the economy.

So land prices, and particularly land speculation, emerge as major suspects for promoting inflation. After all, in this way, fortunate individuals can become recipients of large increases in purchasing power without the accompanying production of goods and services.

Clearly, land value taxation, together with reduction or elimination of taxes on goods, earnings and consumer services, is needed.

G. A. FORSTER.

HOMESITES

Mr. Donohue's claim (Journal 12-72) that chap. 1, book 4, "The Meaning of Distribution" in "The Science of Political Economy" provides basic material relating to his proposals for collecting national revenue, is not understood. That chapter mentions neither homesites nor land and an explanation of the alleged connection would be of interest. It would help also, if Mr. Donohue would elaborate his concluding statement by explaining how unconsumed, partly consumed and fully consumed homesites may be identified.

As to the proposed provision of a heavy penalty for withholding land from use, attention is drawn to the late Sir Winston Churchill's famous statement, "The man or the public body that wishes to put land to its highest use is forced to pay a preliminary fine in land value to the man who is putting it to an inferior use".

With this evil rampant today, I would ask, how could the proposed penalty be applied after land passed from agricultural use so as to prevent huge increases in homesite prices such as the premiums realised on 99 year rent-free leases in the A.C.T.? Such premiums, now exceeding \$7,000, were not realised when similar sites previously carried 5% rentals. Assignments for the land during the time between its former agricultural and its homesites use could be so manipulated as to avoid withholding from use for any substantial period, if at all.

A. J. EDWARDS,
Blackburn, Vic.

MAKING RENT NEAT AND TIDY

Let me add a fourth definition (d) to the list of definitions of Rent published in your December edition.

(d) *Rent* is that portion of the continuing stream of human satisfactions, the enjoyment of which is a function of differential advantages *in situ*.

Rental is the value of sites, expressed on a continuing basis, e.g. from week to week or year to year, whereby the enjoyment of rent is monetarily evaluated as a form of value-in-exchange in the market.

Rental, when publicly appropriated, is the natural source for public revenue. Under these circumstances the equity of the value of land vests in the community and not in the ownership of title, whether or not such title vests in private individuals or in the Crown.

But when, by default of government, rental is not appropriated to revenue, then it attaches to the ownership of title as a source for income to the owner of title. Under these circumstances rental becomes treated as the dividend on an investment which can exchange in the market for valuable consideration. Such value is the capitalisation of the dividend; that it to say, land rental becomes capitalised into land price.

Hence the rental value of land is the natural, healthy form of land value, whereas land price as a lump sum is the pathological form of land value which is the index of the extent to which government is defaulting in its duty towards the revenue of the realm.

But, as I was saying, in terms of its manifestations in the third and fourth quarters of the twentieth century, Rent is that portion of the stream of satisfactions the enjoyment of which is a function of differen-

tial advantages in site. And those satisfactions may be either producer or consumer oriented.

I submit this definition in an attempt to meet the plea by Mr. Edwards that our economic definitions should be, if possible, as semantically neat and tidy—and therefore useful—as those used in physical science. Our satisfaction will be completed when we are able to get our proposals written in effective legislation fashion into the Statute books. The advent of the new Government with members sympathetic to the Georgist viewpoint is both exciting and challenging. Let us do our utmost to help them get it straight.

Canterbury, Vt.

KTNXETTH N. GINGO.

ORIGIN AND CAUSE OF LAND VALUE

In reply to my desire, Lionel Boorman says "Henry George is not referring to mere hopes or desires or needs but to desires backed by demand—by the ability of the desirer to compete with others with hard cash".

These two alleged causes of land-value (psychological and economic) are so wide apart as to be opposites, and each is unsatisfactory. Desire backed by economic demand negatives intensity of desire. The value and price of every labour-product sold on the market is determined by supply and demand (though increased by the intrusion of taxes and governmentally-created "privilege-rights" which are also sold on the market). But our task is to determine what gives value and price to super-marginal land, which is not a labour-product. To attribute the origin of land value to the economic "desire backed by demand" is to abandon the theory that it is psychological and arises from the intensity of desire for special land, and it also blurs the distinction between land and labour-products by asserting that the value of both land and labour-products is economic.

To attribute land-value to either psychological or economic causes instead of politically-created privilege seems to me strongly non-Georgist. On this point some stalwart and devoted and distinguished Georgists appear to have unwittingly succumbed to a subtle but harmful non-Georgism. There are reasons for this, but the present point is to dispose of the "intensity of desire" theory of the origin of land-value, so that we may return to the probing of the real cause.

Returning, then, to Dr. Pearce's passages quoted by me in support of my contention that land-value is a "capitalisation" of unearned incomes or advantages conferred by unjust laws on land-owners, the basic question re-arises from my letter and from Lionel Boorman's reply: Does economic or equitable rent attach to home-sites and vacant land as it attaches to land which is used for production? The discussion group has always considered it self-evident that no rent can attach to home-sites and vacant land because no production takes place on home-sites. I have come to the opposite conclusion, for the following reason which I must state too briefly, hoping that the points will be amplified and adequately dealt with in subsequent discussions.

All social progress increases rent. The process basically takes place on production-sites, but observation

GOOD GOVERNMENT

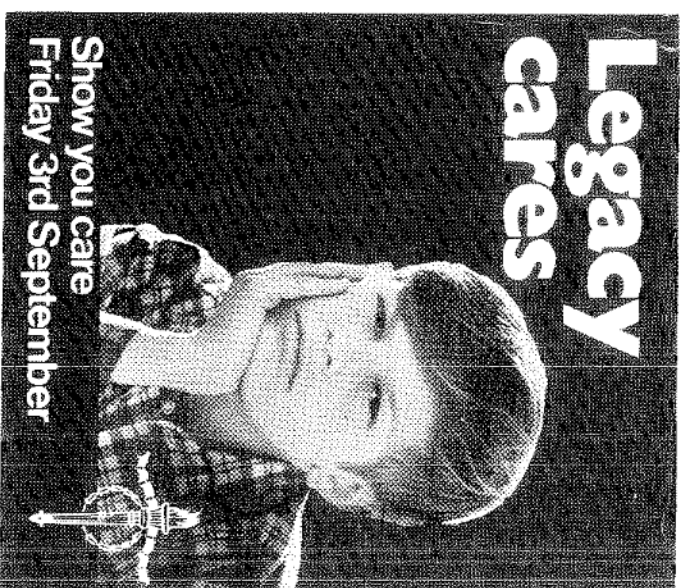
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shows that it is inevitably followed by a similar process on the adjacent home sites and vacant land, varying according to their proximity to the sites in production. The process in vacant land and home-sites is seen to be *causally* related to (i.e. an inevitable consequence of) the increase of rent in the production sites. There is no instance where the one does not follow the other. One striking example is the historic development of the railways of New South Wales, their stimulation of production and rent, and the immediate rise of substantial rent in the adjacent residential areas.

If the rent were publicly appropriated the same process would continue on all sites and be socially healthy. As it is now misappropriated as unearned individual incomes the most conspicuous feature of the situation is the "capitalisation" of the unearned rent on all sites, into the fantastic selling-prices of productive land, vacant land and home-sites.

The public appropriation of the market rent (called economic, equitable or by any other name) will destroy the selling value of all land, restore all land to the people as their heritage and raise wages to their natural level.

W. A. DOWLE



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Show you care
Friday 3rd September

For bringing this message to you, Legacy thanks
the Management of this publication

LG17

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