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I would like to clarify my ideas on inflation. Both inflation and deflation consist of an imbalance of money in circulation and goods in the market. An excess of money is inflation and an excess of goods is deflation. The problem is to strike a balance without recession or depression. The only way a balance of money and goods can be met is to leave it to private enterprise and the open market.

The trouble in the USA began in 1906-7, when we had a money panic because the banks could not trust each other to keep their issue of money even with the amount of loans, which were supposed to be secured by goods in the factories, warehouses, trains and shipboards. The only negotiable paper was gold and silver certificates, and there was not enough of that. The situation was resolved by the withdrawal of power of all the banks to issue their own money. The government guaranteed all outstanding bills backed by securities with the banks, but no more were to be issued. Then steps were taken toward the formation of the Federal Reserve system, which was expected to control the issue of money equivalent to the amount of goods produced and services available in the market. This was the start of the current inflation which has continued to expand ever since. The Federal Reserve system used the index of Gross National Product to determine the amount of money to be put into circulation.

We have had periods of recession or depression since, but the measure taken was to issue more money in the form of welfare, make-work programs, etc., where the money paid out was not balanced by increased production. Economist Milton Friedman says that there is too much "printing press" money and he recommends that the Federal Reserve be committed to holding the growth of money at a lower rate. Henry

Hazlitt says about the same thing, and both contend that unnecessary government spending is to blame.

But both neglect the primary cause of inflation, which is the high price of land. All production comes from the land and has to pay this cost. The ultimate cause of inflation is land speculation, which drives up land prices, withholds good land from use to reduce employment, and to compel more government spending and increased welfare programs, only to augment inflation.

The Federal Reserve system should not issue money on high-priced land for security. Land speculation should be prevented by higher assessments and corresponding taxes on all land.