

LAND SPECULATION

By: Larry Lack

With all the attention that inflation has been getting, it is interesting that no one seems to even mention one of its basic causes—land speculation. Maybe it has something to do with the fact that half the people you meet, and their aunts and cousins, are all doing real estate these days, at least on the side. In any case, the practice of **land** speculation is worth considering if we are really interested in shaking the problem of inflation, because no “solution” that fails to deal with **land** speculation.

Inflation occurs when there is more money in circulation than there are real goods and services to buy with it. When we build or produce something, or when we perform services which are needed for production to continue, by our labor we are adding something of value to the storehouse of society as a whole. The money we are paid (or don't have to spend) because of our labor is society's economic recognition of the value of what we have done. In a healthy economy the value of the money in circulation is in balance, approximately, with the value created by the production process and all the labor that goes into it.

A Mistaken Practice

There are many kinds of speculation. All of them involve the calculated pursuit of something for nothing. Speculation is a game of chance with winners and losers. Whenever anyone “wins” big by speculation, which is buying cheap and selling dear without adding any real value, the rest of us are the losers. But, because **land** is the most important element in earthly life, because we all depend totally on the produce of **land** for our very survival, **land** speculation has more importance and impact, more “clout” in the economy, than any other kind of speculative venture. When people buy **land**, hold it for a few months or years, and then sell it for two or six or twenty times what they paid for it, they have added nothing to society's store of value by their dealings. But when they sell for an inflated price they take their unearned dollars to the market place (directly or through the bank), increasing the supply of money that is competing to buy goods and services which have not kept up with the increases in dollars available for spending. The result, of course, is price hikes to compensate.

As each year sees literally millions of **land** transactions in the U.S. alone, in which **land** is sold without improvement for a price far higher than what was paid, **land** speculation acts as a huge pressure cooker, custom made to produce inflation. By comparison with **land** and other forms of speculation, some other factors often said to “cause” inflation, such as increases in wages and the cost of goods, are actually marginal causes if they are really more the symptoms of inflation than they are its causes.

Land speculation is an economic and social illness and, perhaps more fundamentally, a moral and spiritual malaise that presently is raging, mostly undiagnosed, in a planetary epidemic that can only lead to disaster unless it is checked. But we are taught to think that “making a killing” in **land** is smart. And the practice is legitimized by calling it “investment,” a terrible corruption of that term, for true investment adds value through its fueling of the productive process, while **land** speculation cripples that process. **Land** speculators hurt their communities grievously, although most of them are unaware that they do so. We

all feel the stab of the speculators' wounds in our pocketbooks. Their enrichment is our impoverishment. One particularly distressing manifestation of the harm that comes from speculation in **land** is the fact that a growing majority of Americans—“the richest people on earth” — can no longer afford to buy **land** for home sites or productive ventures. The contemporary enigma of “stagflation” (inflation in a stagnating economy) has stumped the economists who advise governments, but it is easily accounted for if its root cause, **land** speculation, is examined and understood. According to surveys recently reported in the media, most people now see inflation as the darkest cloud on the world's horizon. There will be no effective cure for this modern plague that does not squarely confront the mistaken practice of **land** speculation.