

DIFFERING VIEWS ON INFLATIONINFLATION AND HOUSING COSTS

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U.S. News & World Report (December 10) states on page 15 that "housing costs account for two-thirds of the rise in the consumer price index (12.7% last month); and on pages 69-70 that the high interest rates are blamed for the lower rate of housing starts, causing developers to sell land probably because they don't expect to be able to build upon it; and on page 76 is shown how house prices have increased 107% in six years.

My comment is that most of the increase is land value, as the cost of building very seldom rises faster than prices in general; and as income has risen 57%, I take that figure for the increase in salaries and price index, or only half of the increase in the cost of a new building.

If a house at \$32,000 six years ago was three-fourths for labor and materials, and one-fourth for the plot, then the cost of building should rise only around 60% or \$14,500, making the current price \$47,000. But the price of that house today is \$67,300, so the remaining \$20,000 must be the increase in the price of the plot, or a rise from \$8,000 to \$28,000.

I think it would be a good idea for Georgists to follow this up with more exact figures on the cost of land and the cost of building, by interviewing real estate people. It would be of great help in our education about the importance of switching the tax system over to single tax.

One of the effects of this increase is the enormous rise in the rate of interest, now 15%, so that the house rent is doubled again, first by doubling the price, then by doubling the rate of interest - but all caused by the land value increase which is causing the inflation. This shows how important it is to put a stop to inflation.

Another inflationary factor is that oil imported by the U.S. is being paid with billions of dollars to the monopolists of oil fields especially in the Middle East, who in turn spend their dollars buying up land in the U.S. So after paying excessive prices for oil, people in the U.S. will also pay excessive land rent to the same people, and that will be a lasting monopoly even after the oil wells run dry.