

TWO VIEWS OF INFLATION

1. By KNUD THOLSTRUP (President, Kosangas, Denmark)

It was very interesting for me to read Georgist Journal No. 20, especially the statement by Gerald Shaw on inflation in the Conference report. The Georgist movement would benefit greatly from a statement on the real causes of inflation.

If everybody could only obtain money (purchasing power) by way of wages and profit from production, there would be balance between purchasing power and the amount of goods produced, and thus no excess money to urge up prices (no inflation).

We must therefore look around to find what kinds of income can arise without production. The main source is unearned increment from land value rising, which is due to public development, in which case individuals take profit without working. And this community-created land value increase runs to billions of dollars per year.

During the last 17 years prices in Denmark have risen 225 percent, and salaries 600 percent, but land 1100 percent. I would guess U.S. figures are proportionately equal to the Danish; thus I estimate a 10 billion dollar increase in land values every month in the USA.

Inflation is also responsible for the high rate of interest combined with high land prices. Both are serious obstacles to young people who want to start up a business of their own. Those who say we can live with inflation are wrong. Inflation leads to more and more socialism, to loss of freedom, to serfdom.

When it is stated that we have inflation when the growth in money is faster than the growth in production, it must be realized that the common concept of money has got to be widened to comprise all means of payment. One would wonder why economists stop short after "M 2", comprising the concept of coins, bank notes, short- and long-term deposits. Bonds and mortgage deeds are common means of payment, especially when trading real estate, and therefore must be included in the total amount of the means of payment, money (call it "M 3"). It is worthwhile to study the annual increase in "M 3" as compared to the annual rise in land value. To issue a mortgage deed is actually to issue money of your own.

If you want to fight inflation, you must realize the sources of it, and then it will be easy to find the cure for it.